BMO Financial Group

RBC Capital Markets Canadian Bank CEO Conference
January 15, 2008

Hosted by: Andre-Philippe Hardy, Analyst - RBC Capital Markets
Guest Speaker: Bill Downe, President & CEO - BMO Financial Group

Caution Regarding Forward-Looking Statements

Bank of Montreal's public communications often include written or oral forward-looking statements. Statements of this type are included in this Annual Report, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the "safe harbor" provisions of, and are intended to be forward-looking statements under, the United States *Private Securities Litigation Reform Act of 1995* and any applicable Canadian securities legislation. Forward-looking statements may include, but are not limited to, comments with respect to our objectives and priorities for 2008 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, and the results of or outlook for our operations or for the Canadian and U.S. economies.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that our assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. We caution readers of this Annual Report not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which we operate; currency value fluctuations; changes in monetary policy; the degree of competition in the geographic and business and market are as in which we operate; changes in laws; judicial or regulatory proceedings; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; our ability to execute our strategic plans and to complete and integrate acquisitions; critical accounting estimates; operational and infrastructure risks; general political conditions; global capital markets activity; the possible effects on our business of war or terrorist activities; disease or illness that affects local, national or international economies; disruptions to public infrastructure, such as transportation, communications, power or water supply; and technological changes.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors could adversely affect our results. For more information, please see the discussion below concerning the effect certain key factors could have on actual results. When relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Bank of Montreal does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by the organization or on its behalf.

Assumptions about the performance of the Canadian and U.S. economies in 2008 and how that will affect our businesses are material factors we consider when setting our strategic priorities and objectives, and in determining our financial targets, including provision for credit losses. Key assumptions include that the Canadian economy will expand at a moderate pace in 2008 while the U.S. economy expands modestly, and that inflation will remain low in North America. We also have assumed that interest rates in 2008 will decline slightly in Canada and the United States, and that the Canadian dollar will likely be at parity with the U.S. dollar at the end of fiscal 2008. In determining our expectations for economic growth, both broadly and in the financial services sector, we primarily consider historical economic data provided by the Canadian and U.S. governments and their agencies. Assumptions about the terms of any agreement we enter to transfer our liability for future customer redemptions, or to change the cost structure, relating to our customer credit card loyalty rewards program are material factors we considered in assessing expected changes in the run-rate costs of the program. Tax laws in the countries in which we operate, primarily Canada and the United States, are material factors we consider when determining the sustainable effective tax rate.

André:
I am happy to have with us Bill Downe, President and CEO of BMO Financial Group. Bill is been with the bank since the early 80s having risen mostly on the US side but he also worked in Toronto along the way. And Bill has been CEO for just about a year. So, I think probably the best way to kick this off Bill is perhaps to have you reflect on the first year, how things have gone, the challenges that the bank has seen and how things may look different in the coming news.

Bill Downe:
Okay. Thanks very much, Andre. The start up question about the first year is a good one actually because I am right now just in the middle of cross North American tour, I am seeing each day two or three groups of employees between 250 and 400 employees. By the end of week, I will have been face to face with just about 3500 employees of the BMO Financial Group, about 10% of the workforce. And that's we are talking about is 2007 in context, what they should take away from the year and my expectations of them for 2008.

And the message that we've been really consistent on is that 2007 was a year of challenge, some of the challenge was our own making, a great deal of challenge came from the external environment and at the same time as those environmental challenges were being faced. We were focused on the four operating businesses of the company, the core business strategies and made real progress in each one of them. So, I think that the mood – we are going really on feedback from our own employees, the mood in the organization is that from the perspective of the core businesses, we have good momentum and the organization is focused on going forward.

André:
Thanks. Perhaps as you are going around, talking to retail people, obviously, the bank in the past had lagged peers on the retail side. Can you talk to us about what you are prioritizing in terms of improving things? How may we see the improvement in the external reporting, the early signs I suspect would be customer satisfaction / employee satisfaction. Do you have anything that can help us understand the improvement you have seen so far?

Bill Downe:
I think that the business has really benefited from an investment in the physical infrastructure in the last three or four years. I think going into this period of change, the upgrading of the bank branches, the cleaning up of the distribution system, cleaning up of the tools that the sales people have to work with, really is a project that I think brought us from substandard in my analysis of what we needed to do gain competitive equality.

And I often cite just the fact that every one of our locations has modern signage and there is period of time when I think we hadn't paid close enough attention to it. But the big shift in the last 18 months is not an investment in physical infrastructure but in the way that the sales force thinks about their customers and the way that they are measured and certainly the customer loyalty scores are very important in that regard. Starting in January of 2007, we began the measure Net promoter Score which a retail loyalty measurement we used very actively in the United States and have a great deal of experience with at the individual branch level.

And while the sampling which basically asks a series of questions about customer satisfaction and dissatisfaction and the dissatisfaction score is subtracted from the satisfaction score. It takes series of months to accumulate statistical significance but all through 2007 at the branch level, people were getting and update on their branch level, Net Promoter Score. And you could start to see as the information became available, how strong the correlation is between actual financial performance and customer loyalty and I think for us to be able to look at all 900 of our branches on a monthly basis and match their progress against their I guess their targets and their progress against customer loyalty has been extremely helpful. Sharing that information with the frontline also very helpful and Frank Techar who runs the group implemented reporting system at the branch level on the November first, he had the accumulated data now where for each branch, there is a clear report that the people who working in that branch can see, it shows how they are doing against the revenue growth objective.

How they are doing against the Net Promoter Score and their cross sell obligation and in fact it breaks down into a score card for each individuals. So, you can – if you work in one of our locations, you can evaluate yourself, your manager is going to help with you that process which you can evaluate yourself against peers that's not to get the whole universe as against people who are in a similar location, a similar economy, segment of the economy and have a very good sense if you're first quartile, second quartile or where you fit.

And that increase in knowledge, that increase in certainty of about what's expected and how you are doing has actually been a terrific booster for morale. We've had very good employment engagement scores in the bank but I think that our own frontline employees felt that they needed to be more competitive and we needed to be more competitive than anyone did. So, I think it's had real positive effect on that. And we are seeing now instances of individual locations putting up some extraordinary loyalty scores. I think historically we would have seen in our US system Net Promoter Scores in the 40s which is really at superior level in the industry and maybe half that level in Canada. I was in Halifax last night and in an employee roundtable one of the branch managers came forward and hit a Net Promoter Score year-to-date or in the last 12 months of 90 which is extraordinary. And that focus on the customer can translate into extremely high loyalty scores if it's within the context of one distribution point.

André:
And so is that too early to tell how these are evolving in terms year-over-year change in net customer score or net promoter score, that'd be one question, and the other one would be how you incenting people differently to make sure that they do behave in the way that leads to an increase in that promoter score?

Bill Downe:
Well, in 2007, Frank used subjective translation of the collecting data to influence the performance rewards for the year. In 2008, it's going to be much more specific not formulaic yet, but much more specific and people understand that 40% of your valuation comes from revenue growth, 40% of it comes your customer loyalty score and 20% of it comes cross sell. And everybody has a piece of paper every week that has their branch NPS and how they rate to their peer universe at the top of it. So, they have a constant reminder.

So, I think the necessary steps of making sure the data was reliable, making sure it's well understood so that the sales force believes that it has integrity. I think that's phase is accomplished and what I am most happy about is my own ability and this you have to understand, the system was built so the information at the frontline is at high quality as it is anywhere but my own ability to go online, I can look at – if am going to visit a bank branch, I can look at their score, see how they are doing this week, actually look at the individuals in there takes me two or three minutes and then when I stop and visit the branch, I know how each individual is doing and I can ask them questions.

How you are doing against your targets, what are things that are made a difference, what are the behaviors that you have changed everyday in the way that you approach your work and particularly for the people who are these employers that people who would really showing big improvements and performance. How do you think – how do you think you changed your behavior in a way that's contributed to that. And what's happening is people are starting to ask questions of each other where if they see a movement in the loyalty scores in another branch, they will actually pick the phone up and call the manager and say what are things that – what are things that you are doing this month that are really making any difference. Those are very open and transparent system and it's leading to much higher level of collaboration.

André:

Let's take a step back and, clearly economic risk is rising in the US and on the one hand the bank has historically been conservative from a credit standpoint, on the other hand the bank is a bigger in the US and you would also have some exposures by your structure investment vehicles. So perhaps in the context of – if the question – if the US economy will slow, how do you think the Bank of Montreal will fare and how is the bank preparing for such an area?

Bill Downe:

The US economy has slowed. The question of whether technically we have a recession or not I think is the debate but the US economy very clearly has slowed and in the Mid West where our retail and commercial business is concentrated, we are actually in about the third year of much slower growth, obviously, the Mid West was affected by the early down turn in the auto industry and the property market hasn't been nearly as robust in that period. So, I think that from a conditioning point of view and you have actually seen it in our results because at Harris Bank we had double digit revenue growth over an extended period of time and that's really slowed down. So, we are looking at volume growth of just under 10% but still spread compression the last two or three quarters.

So, I think that the slowing of the US economy is actually being recognized in the marketplace. And I don't know whether zero or half percent growth is what we will ultimately see in the first calendar quarter but whether it's that low or little bit lower. I don't think its going to make a big difference from our perspective in the operating performance. As you said, we have relatively conservative underwriting posture with respect to home mortgage lending, it's an all prime book but it's still a relatively conservative approach and I think the challenge for us is to ensure that our frontline people and our credit people maintain those same consistent standards that there is an opportunity to grow market share with the withdrawal of some competitors from the marketplace in the Mid West and the economy will be recovering before the newspaper tells you that's the case.

So, I told Ellen Costello who is the President of Harris and her management team that they need to be out in front of the market, they have to be talking to customers. And as long as we employ consistent historical underwriting standards, I would expect in the latter half of the year, they will find the conditions are better not worse. As far as the wholesale market goes, I think that our investment banking business has such diversity in it that its hard to say in the next quarter or the quarter after what the pipeline is going to look like because the M&A business goes up and down and the debt underwriting business goes up and down and the equity underwriting business goes up and down. We actually have a business model in the United States that has shown great growth around our existing base of corporate banking customers.

You'll recall that we bought a small firm, New York base firm, they have very strong research department to compliment BMO Nesbitt Burns Research and in fact had been building out that research capability around the market segments that we operate in. And that was a strong area of expansion for BMO capital market last year. And I expect that we will have to work through the economic cycle but through the economic cycle, it would be a bigger contributor in the future. You asked the question about SIV's…

André:
Indirectly there would be credit exposure there but perhaps the question they should be looking for - Can you provide us with an update of your plans with regards to SIV's the bank sponsors

Bill Downe:
With respect to the economy, I'll reiterate the asset quality in those portfolios is extremely high, principally AA and AAA rated paper. As a consequence I don't expect an economic downturn to create visible credit risk in those portfolios.

You'll recall we've been in the SIV business probably from the inception. We hired a high quality team from Moody's almost a decade ago. They're the core of our business. They have an excellent reputation. It's been a very successful business over much of it's life. Clearly in this environment the notion of investing in a AA / AAA arbitrage doesn't have enough spread in it to justify the size of the market itself and we've been de-leveraging and reducing the size of the two SIVs we operate Links and Parkland. Links was about $23B at the end of July and as of today the size is about $15B. So we've been making good progress on the de-leveraging of the program. I think we're a little bit unique in that our first approach in reducing the size of the SIVs has been focused on assets sales because we were able to sell high quality assets and maintain the diversification in the portfolio.

We still have the opportunity to complete some asset swaps with capital note holders, which I think will probably contribute to additional reductions. As long as we continue to have progress in reducing the size of the SIVs, maintaining the quality, maintain the good relationship with the capital note holders who's interest I think are pretty closely aligned with ours, we're going to continue along that path and hopefully each quarter will show progress.

I expect what you'll see is as the market comes down in size, certainly as the structured paper market … which as about $2.2 trillion dollars at the mid-point of this year … comes down you'll see an emergence of new products. There may be some new forms of SIVs that emerge, but I think the focus is on size reduction.

André:
What are the next key funding dates we should watch for and as assets have been sold has the underlying quality of what's left changed at all?

Bill Downe:
We've been really focused on ensuring that the diversification and credit quality of the portfolio, the rating of the portfolio was maintained as we sold assets. We don't sell a pro-rata piece of every bond that is in the portfolio, but we rebalance the portfolio each time there is an asset sale, so that the quality of the portfolios have been maintained as they have been reduced.

As far as future funding dates go, if you go back to August and September, the funding dates were quite close. We've been pushing them out. In the case of Links they're pushed out to February now … the latter half of February and we keep watching the rolling maturities and we've provided some liquidity to other capital note holders when there were funding spikes.

Part of the strategy is to keep pushing out those funding maturities. We sell assets and accumulate cash in anticipation of that.

André:
Obviously leverage has come down if a fund has gone from 23 to 15 with presumably the same capital underlying these notes. What would need to happen for a senior debt holder to start to loose money?

Bill Downe:
You'd have to see value erosion in AA and AAA bonds beyond what we've seen so far. The NAVs are still comfortably above the trigger points and we keep going back to the underlying quality of the assets as being what has differentiated Links and Parkland from the rest of the universe

André:
Back perhaps to the US and credit, a lot of originators of prime mortgages would have thought they had conservative underwriting standards but the market deteriorated so quickly that they are incurring losses. So, maybe with that as background, could you help us understand whether the underwriting standards at the Bank of Montreal were more conservative of any industry average in the US or they changed at all in the last three to four years as underwriting got generally less strict across the industry?

Bill Downe:
I don't think there was an erosion of our underwriting standards in anyway. The Harris Bank's underwriting standards have actually been historically conservative relative to even Bank of Montreal and the US market is typically little more aggressive. It doesn't mean we are not going to see an increase in delinquency rates because delinquency rates increase when the economy slows, doesn't matter what your underwritings standards are if you had five basis points of provisioning at a point in the cycle where there were no delinquencies you may have 10 or 12 of 15 or 20 basis points.

But I think we are going to be able to, notwithstanding an increase in provisioning which you would expect if the markets as a whole shows higher delinquency, I think we are going to able to continue to show relative out-performance. We have no exposure to the credit card markets, typically the credit card market reflects stress around leverage. The irony is actually in this cycle, credit card delinquencies are well below home equity delinquencies and I think that's because the credit card is actually turned into the last safe bastion for consumers who are stressed because they know its their access to the payment system.

But on the home equity and mortgage front, I think we've benefited from the historic footprint, Harris Bank, the community is that we operate in and where we see mortgage delinquencies, its usually tied to one of two things, unemployment or divorce, those are the two and in fact, in most of the industry for prime mortgages, it's those family issues that typically cause delinquency and quite often even though you have loan delinquency that comes from one of those events, it doesn't mean that the loan will ultimately come back into a performing notes.

So, we might see delinquencies of 90 days, but as long as you supervise your own portfolio closely you are in touch with borrowers, you can also manage the ultimate experience you have. And so, I am not going to say that we are not going to have any increase in provisioning if the housing market in Chicago deteriorates materially we will but I think it will be better than what we see in the market as a whole. I should also add that property values in the greater Chicago area are down around 2.5%.

That is the reflection of the fact that there wasn't a great run up in property values and where most of the property decline has been taking place was in the collar counties are to around the outside of Chicago where we really haven't had a high concentration of origination. That's where there had been new developments where I think if there is evidence of property stress in that market, that's probably where you will see it. We don't see high density year for sale sign in the developed suburban areas of the city.

André:
And then the on topic of for sale signs, are you seeing more for sale signs on banks that you may have previously thought as interesting that may all the sudden be for sale?

Bill Downe:
We are certainly seeing valuations on banks that would suggest there are some decent for sale signs. I think that it's probably a little bit early but I would expect that in 2008 there will be a number of banks that they would have been logical banks for us to be in conversation with, there will be a higher receptivity to the notion of doing transactions. But if you look at every year for the last six or seven years, we've been able to do one or two or three acquisitions and I am confident that what will be different in the next year or 18 months is that what's in that pipeline will come in representing better value.

André:
And is the bank comfortable enough with its capital position to take advantage of such opportunities if they arise?

Bill Downe:
I think that the reason why we have been consistent in managing our capital and kept an eye on tier one capital ratios current above 9.5% is really the balance between closures in unsettled markets. We have what amounts to 2.7 billion dollars of capital above our target of 8%, so we have that capital as protection should we see any market deterioration in the short run. And I think its clear that as we see clarification around and we are seeing that absolutely since the first of the year around the funding of commercial paper markets globally that that capital would be available for future acquisitions.

André:
And similar question in your trading rooms, I am sure there are spreads that are wider in many asset classes. Do they have the liberty to go after those wider spreads or is the bank more cautious given the environment?

Bill Downe:
I think that the standards around investment have to be the same through the cycle. So, if you can earn a much higher risk adjusted return then those are assets that you should accumulate. But in the case of our capital markets business, there is also a necessity to turn assets over. I think its really maturing assets are being replaced with higher spread assets. I wouldn't say that the use of capital in our wholesale businesses increasing. If anything I think that I am looking for a little more efficient use of capital and I would expect that our wholesale business is should be able to continue to show earnings growth that use a little less capital and in fact, that may help contribute to more available capital for investment in the retail and commercial business.

André:
Now you've been directly answering the next question I would ask, but I wanted to ask, obviously, there is been a review of the risk profile on the commodity trading side. Did that translate to other trading areas which may or may not have an impact on revenue?

Bill Downe:
Yes, it did actually. We – the way we approach the review is not to look specifically at one area of business. But to say, we are in multiple businesses, I look at 28 business units every 30 days not because I separate them and they compete but because I wanted to understand that dynamics of those 28 business units. We looked at the risk not only the risk methodology, the science behind risk, the tools are being used but the way human judgment was being used in everyone of our businesses and we looked both this way in the individual businesses and we have looked this way across the organization, that's very timely because as you know, we are all working through the implementation of Basel II and how does that change – how do we think it is going to change the banking landscape.

And you can recall in the early 1990s, we were the first bank in Canada and one of the first banks in North America to look at contribution to risk from individual loans. I think we were the second client in the world of KMV, which 2700 banks now use to manage their portfolios. And we made great advances, I think that was the principal contributor to our provisioning of around 35 basis points over the last 15 years relative to an industry average of around 56 basis points. I think that the conversions of market risk and operating risk countering counter party risk and credit risk is – we are now to a point of maturity in markets where the tools that we have can be employed much more effectively and they can be a source of competitive advantage.

So we are taking -- this year we are going to be taking advantage of the fact that we have done a thorough review and a benchmarking in every single area of the company to make some enhancements that I think will take us forward. I am happy to say that in a number of areas we benchmarked and continue to benchmark as best in class. And there is some areas where there is some recent learning that I think will be very helpful to us. So in response to your question, the management of risk has always been central part of our discipline in the company.

It is something that I believe needs to be renewed. I don't think you can stay at this level all the time and going through the process of renewal was something that I had anticipated. Coming into my role last March, I thought that it was going to be one of the high priority items, I mean it got accelerated I will tell you that. Candidly, it got accelerated by the events of the year, and maybe that's helpful too because it means that everybody is on the same page. There is 35,000 people in the company who agree with me that it is a good idea to do this.

André:
Maybe before we open the floor up, we haven't talked about the margins in the US, the competition for deposits seems to have increased even further, that's what we intend to hear from banks, are you seeing that in Chicago, is that affecting the spreads of Harris? In Canada, clearly any bank that is not a 100% retail funded would have had negative impact of higher wholesale funding cost and then you had prime spread which was also out of whack with historical norms, so perhaps with that as the background, can you please address the margins and what you see going forward?

Bill Downe:
The margin experience in the US certainly was that we were seeing spread compression, in the last two quarters, if you recall our quarter end, we actually saw spread stabilization. I have been talking to the frontline people about pricing discipline, because I do expect that lending spreads in the US will be widening out. It is still competitive, it is interesting, but at times like this, what you

often see is a last gasp, where people who are experiencing difficulty will compete on price to try to overcome it. But I expect that there will be less – certainly in our markets there will be a little less competition. I mean recognize that a bank like Washington Mutual opened a 125 locations in the Chicago area and had plans to open another 125 and they certainly have put the second 125 on the sideline and I believe there is branch closings taking place.

The conversion by Bank of America will take time. The conversion of Bank One at the Chase branches has taken some time. So I continue to encourage people to ensure that their pricing reflects the reality of what ought to be a more favorable market going forward. We haven't seen it, and there is still – frontline sales people are still sensitive to pricing competition. But if you take the last two quarters the stabilization of margins, I think I am probably closer to the truth than they are. In Canada there is no question that the compression of the prime spread has had an impact. In the fourth quarter it was much more evident.

We have actually seen a little bit of an improvement and you could look at it. It just had commercial paper funding prices relative to treasuries. They have come in quite nicely and they were in the 50 to 60 basis point range and they have tightened into around 15 and in the US, we are back to historical spreads. Our conduits are funding 3 basis points over, which is about what the historical margin was. So I think you will continue to see some improvement in the Canadian market and what that means is that the effect would have been the greatest in the fourth quarter, probably where we stand now about the same in the first quarter and I would hope to see some improvement in the remainder of the year. And I think if administered rates come down I think that will be helpful too.

André:
Okay. And what we will do now is open the floor up for questions.

Audience Member:
Mr. Downe, last year we saw that there were losses at various banks both in the States and Canada, and there were – we saw senior management changes there. We saw senior management changes at Citibank, we saw senior management changes at CIBC here in Canada. But we didn't see any senior management changes at BMO given the large commodity loss last year. Can you explain why is that?

Bill Downe:
Well, there actually were some changes, certainly in the business itself, there were some immediate changes. This is a significant business within the company. The head of the business left, we appointed a business head and we made significant changes within the commodity business itself at all levels of management and also in the area of risk management we hired new resources from the outside to strengthen that team and I think that in the case of management change around event, you really have to go to work with the root cause. If there is a break down in judgment or a consistent record of using bad judgment, management change absolutely is called for and we really have to focus on what the root cause was. And I was asked a question at the time don't you think you should have a symbolic termination because it will help the market. And I said, what you mean? And he said, there is a mentality you should fire somebody just for the sake of firing. And it doesn't really matter who it is, just as long as you do it. That is not something that I subscribe to and we have a management team that is open, it has a high level of trust and in the case of the events of the last year, I was pretty satisfied that we understood and what the origin of the problem was and as I said at the time, it was a one location, one time event and we dealt with it on that basis.

Audience Member:
Bank of Montreal has had Harris Bank for a long time, you saw LaSalle got purchased, and MAF got purchased; maybe there is not a strategy to grow in the US, but are you looking

at other strategic initiatives in the Chicago market in order to bolster the Harris Bank position there?

Bill Downe:
Well, when I look at the Harris Bank, it is true that we bought the bank for $700 million in 1983 and at the time it had 16 branches. Today it has 230 and some branches and at the end of the second quarter when we close the two pending acquisition we will be close to 280 branches. So when I think about value creation, I look at the deposit base, the number of customers and what the valuation of that business is and if you look at Harris on that basis we have been building significant value in Harris through the acquisitions that we have been making and through the de novo branch opening. In the last 18 months, we severely reduced the number of de novo branch openings, and that have more to do with just the rate of growth at the local economy. If you have good economic growth opening branches, it makes a lot of sense and slow growth, clearly you are better off buying branches and integrating them because you are buying a business that you don't have to wait for that ramp up. What we have done in the last 18 months is push beyond just the Chicago metropolitan area where we have about a 9% market share into Indiana, into Indianapolis and as well into Wisconsin. So there are adjacent states and I can go further to the Northwest to Minnesota and down the Mississippi river and I can identify markets that are quite similar to the markets that we operate in both from the rate of growth of the economy and culturally. So I think the real opportunity for us is that is the Midwest market is quite like Canada. The market is five or six times the size of the Canadian marketplace and making incremental acquisitions that now we can put on a common shared platform and just 24 months ago, we had multiple bank charters that made that very difficult. To put on a common platform means that we can do acquisitions ramp them up much more quickly, get the benefit of the Harris brand. So I am actually quite – I am quite confident that an extension of the current strategy will continue to create value, and there isn't really a plan to go into a new business if you met outside of the banking business. Our reputation is extremely well understood by other banks and the reason in fact, we see ourselves as an acquirer of choice.

Audience Member:
Given the stresses in the financial systems and – we have seen a lot of equity infusion from various players around the world, do you think that the Canadian government is anymore positively disposed towards bank mergers in Canada?

Bill Downe:
That question I would have to say is a mystery to me. I don't know what the position of the Canadian government is at a moment in time, and I think it is very difficult for anyone to make a judgment. It is so driven by politics of the moment. I think the Canadian banking industry as a whole is very well capitalized, certainly, our tier 1 capital ratio at 9.5% is a reflection of that. I think that the debate about bank mergers really ought to be a debate about really global competition and what are the things that public policy ought to be doing that encourages the growth of Canadian banks focus on the opportunity for well run banks with good historic track records being provided with encouragement to grow wherever that might be. And there is a whole series of issues that I think the current government is actually quite receptive to. One of them is what is the corporate tax structure in this country and is it an enabler to the expansion of Canadian companies. Do we have a simple to operate in regulatory environment, a single regulator across the securities in the banking business. Those are the kinds of things that the government is talking much more about than bank mergers. Can we simplify the capital tax regime so that the banks aren't burdened with an enormous amount of inefficient tax collection. I think this is the area really where the most productive discussion is coming out of both Ottawa and the provinces. And in the end the question around bank mergers really will come back to, I think the individual household and is there a perception that there would be as much competition, much choice and local employment, I don't think those issues will ever go away.

André:
Thank you everyone. Thank you Bill.