BMO Financial Group

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Assumptions about the performance of the Canadian and U.S. economies, as well as overall market conditions and their combined effect on our business, are material factors we consider when determining our strategic priorities, objectives and expectations for our business. In determining our expectations for economic growth, both broadly and in the financial services sector, we primarily consider historical economic data provided by governments, historical relationships between economic and financial variables, and the risks to the domestic and global economy. See the Economic Developments and Outlook section on page 32 of BMO's 2017 Annual MD&A.

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Examples of non-GAAP amounts or measures include: efficiency and leverage ratios; revenue and other measures presented on a taxable equivalent basis (teb); amounts presented net of applicable

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

JANUARY 9, 2018 - Bank of Montreal at RBC Capital Markets Canadian Bank CEO Conference

PRESENTATION

Darko Mihelic - RBC Capital Markets - Analyst

Okay next up we have Darryl White from Bank of Montreal. Thank you for participating in our conference this year.

Darryl White - Bank of Montreal - CEO

Thank you for the invitation.

Darko Mihelic - RBC Capital Markets - Analyst

And so it’s your first time here, and great to have you. So why don't we kick off your session. You've been in the role for a few months. I know there was a transition period, but it’s still early days in your official role as the CEO. So maybe you can talk about your view and your focus for 2018 and maybe better asked, as the CEO of BMO, what's your key message for shareholders from your point of view?

Darryl White - Bank of Montreal - CEO

You're quite right. It is early in the mandate. I think I'm 62 days on the job, but I have been transitioning for some time. So I was the chief operating officer for about a year before taking on this role and over the course of that time -- when I think about your question, I think about it in 2 parts. I think about what are you starting with, what's the foundation and then where do you want to prioritize in terms of pivoting off of that foundation. When I look at the foundation, I think we are built for success in a lot of ways. It starts with the strategy itself. We are a relationship-based bank, as you know, and we have been for a very long time and that's not going to change and we've based our value proposition on advice and guidance and we're continuing to focus on that in all of our lines of business. There are some places that we can do better and I'll get to that in a minute.

I looked pretty carefully at the employee base itself. At Bank of Montreal we have employee engagement scores that are - and this isn't hyperbole - they are actually off the charts. People wake up in the morning and they want to be with us. It's great for retention, it's great for attraction and when I say off the charts, I mean not just better than most financial institutions, but on par with leading companies in the world.

So you look at the assets and you say does that matter in the future that we are going into? I think it matters more than it ever has frankly in the history of banking given the disruption and everything else that we will be dealing with in the next 10 to 20 years.

Then we look at the technology architecture and the technology architecture is very robust and is built for the future. We talked a lot about this, the central smart core architecture of our bank has been effectively rebuilt over the last 7 years and now is ready to pivot towards some pretty interesting customer-facing applications and we are accelerating in that direction.

And then I looked at the leadership capability in the bank and the leadership capability I think is as good as I have seen just about anywhere. So I paused on the foundation and came to a conclusion that it's pretty good and capable of a lot more.

So what does that mean in terms of the priorities that we think about going forward? When I talk about the customer experience, customer experience at our bank is generally good and better than most in most places we look, but it is uneven. There are places where we are making sure that we are emphasizing that. Thinking as if you were a customer is as important if you are a front-line employee, a CSR in a branch, an investment banker, a commercial lender, a technologist, a risk professional, a finance professional. So the focus on the customer experience to permeate through the organization is something that we are spending quite a bit of time on.

I talked before about the -- a moment ago -- about the technology. Think about our technology architecture as extremely sound from a foundational perspective - centralized data lake, one source of truth, single customer identifier. That work is almost done and that is differentiated in our view and so the ability then to build off of that and accelerate our tech spend on customer applications to acquire more customers and to do a better job for the customers that we have, we think we are ready for that in a way that we haven't been before.

And the last place I would go is to the U.S. I've talked about this before, but I can't emphasize enough the U.S. opportunity. When we look at the growth rate of our U.S. business units combined, it's about 25% of the Bank of Montreal's NIAT, which I think is about second among the peer group and the growth rate of that has been 13%, 14%, 9% last year and we would expect it to be a differentiator relative to the rest of the bank and relative to the rest of the sector and we are pressuring those businesses to increase the growth rate.

So when you think about the priorities going forward, talk about customer experience, talk about the technology agenda, talk about U.S. growth and you talk about efficiency because we've got work to do on efficiency. I talked about that -- you may have asked the question on the last call. I talked about the efficiency work that we have to do and so those to me would be the 3 or 4 biggest priorities, for 2018. I'd say those are 2018 and beyond.

Darko Mihelic - RBC Capital Markets - Analyst

Okay, great, thank you. Since we touched on the U.S. as being a big priority, why don't we just start there and work our way through the U.S. business. And why don't we just start with the overall general theme, which a lot of people have been asking is the tax impact of lower taxes. Maybe you can talk about the DTA and the annual impact for Bank of Montreal.

Darryl White - Bank of Montreal - CEO

Yes, sure. So first things first before we get to the impact. The DTA is there and I will get to it, but the tax reform - we should call it what it is, it’s a tax cut - is good for the economy and it is good for BMO. When we've got relatively higher earnings than peers in the U.S., it is an attractive story for us on a run rate basis.

The DTA itself for us is one that we disclosed – and in fact, we began our disclosure quite early on this. If you look back, you'll see disclosure through the course of last year and in particular in our MD&A in the fourth quarter, and we said at the time that we thought that the write-down on the DTA was going to be in the range of US$400 million. We've updated our work since then and we are still in that range. So I can reconfirm that for you today, Darko.

In terms of the economic impact, the real impact, we've also said that it would be around 10% of our U.S. earnings. So think about that as ~US$100 million and that, of course, is based on the activity of our client base on a backwards-looking basis. So it doesn't incorporate potential and I would say likely renewed activity of the corporate capital formation in the lending book and so on.

So those are the big blocks for us and that's a pretty attractive story. Nobody put that in their business plan 2 years ago. So that's earnings that accrue to shareholders or to reinvest in the business is pretty attractive for us on a relative basis.

Darko Mihelic - RBC Capital Markets - Analyst

And you have been investing in the U.S. We have seen it from time to time. One of the things you actually did was you bought a $2 billion portfolio of mortgages at the beginning of Q1. Can you talk about what you actually bought, the credit quality of that book and maybe talk about why you went down this path?

Darryl White - Bank of Montreal - CEO

Yes, sure. So the U.S. market, for those who don't follow it as closely, has developed into both a first party originated and a flow market in a big way. So this is not an unusual activity in the United States market. It may be a little bit unusual for us because we've been focusing principally on the branch originated mortgage channel. I think you will see us look at these types of transactions opportunistically as we go forward, so I would start there. Not to say it will be the norm. You're not going to see one of these every quarter from us, but once in a while where the opportunity presents itself and we have the capital to build off of. Our capital ratio is the highest among peers; we were at 11.4% at the end of the quarter and that was before we affected this transaction. So the transaction that Darko is referring took place early in the first quarter.

There is about a $2 billion book. We bought it from another party who was interested in selling the book. We thought the mortgages were highly rated - they are a highly rated jumbo category and fit right into our underwriting standards. So for us, available capital, growth in the mortgage book in the United States, highly diversified by geography, high underwriting standards. This one was easy. They are not all that easy, but this one fit quite nicely with our strategy. We wouldn't have had any benefit of those earnings in the fourth quarter so those will come forward.

Darko Mihelic - RBC Capital Markets - Analyst

Right. Are you willing to talk about the earnings benefit?

Darryl White - Bank of Montreal - CEO

Small.

Darko Mihelic - RBC Capital Markets - Analyst

Small. Fair enough. Now one of the things that you as a bank -- following it for a long time -- commercial growth has been basically I think upbeat in the last quarterly conference call. It kind of picked up a little bit for you guys. You suggested that the momentum was good, but on the retail side often times we see, in the U.S., a little bit of lagging growth there and in fact runoff in many portfolios.

We've been hoping for it to turn around. Can you talk about what was driving the decline, competitive factors, your brand and what is it that -what initiatives are you looking at to build the retail business up in the U.S.?

Darryl White - Bank of Montreal - CEO

Sure. It's a good question. It's the right question. To put the question in perspective, I do want to remind investors that the U.S. business for us, if you think about where the profit pools are, the U.S. business for us is a little less than 70% from the P&C business. The business that you are referring to right now is inside the P&C business.

So we do have big important businesses in the U.S. that are outside the P&C businesses, including capital markets and wealth. Within the P&C business, our lending book is about 75% commercial and 25% retail. So I say that because I want to make sure that investors remember that the portion we are talking about right now is the 25% of the 70% of the profit pools.

Within that 25%, it's an excellent question, there has been runoff. A lot of it has been conscious. We bought Marshall & Ilsley in 2010 and we had some workout portfolios there. We also had some runoff with respect to HELOC portfolios, which is not unusual for us. It is pretty common across the industry and in parallel, we've been rebuilding the franchise from the perspective of having a true mortgage origination and consumer lending capability and culture. I will get to that in a moment.

So I think what you'll see is the flattish performance from the authorizations and the outstandings in the retail lending portfolio will begin to pick up. We are starting to see that right now. I'd be very surprised if we didn't see some attractive growth in 2018 fiscal and beyond. This is -- you might be asking is this me calling the bottom of that book. It might be, it might well be.

The better question is why. When you look at those external factors and the runoff, we see those abating and at the same time, we are investing in the business and we are investing in the brand and we are investing in the marketing and I've done all the branch tours in the market. You have a number two deposit marketshare in Chicago, you have a number two deposit market share in Wisconsin, it's pretty attractive. It's an attractive machine and then you spend time with the branch managers and you spend time with the regional managers and you ask them about their lending strategies and if we are honest about it, three, four or five years ago, you get a pretty uneven response to those questions.

And the times that I've spent in the morning huddles in those branches in the last 6 months in the last year have been really energizing. The goals are up on the board, everybody knows what's expected of them this week and this month and next quarter and the energy from a sales perspective is palpable. And I wouldn't have said that a few years ago. So a credit to the management team there. We've really amped it up and the last point is I think the market for all the obvious reasons your previous guest talked about I think the market's coming our way as well. So I'm pretty optimistic about it, remembering that it's 25% of 70% of the profit pool in the US, which itself is 25% of the bank.

Darko Mihelic - RBC Capital Markets - Analyst

Of course. And so maybe switching gears then, you talked about the market opportunity. One thing that doesn't get a lot of playtime, but I do get a lot of questions for your bank is your wealth business and the question that gets thrown at me a lot and over to you - what is your top priority for the wealth business in 2018? And this could be either Canada, U.S. or all-bank level. Just throw it open, wide open for you, what's your priority in wealth?

Darryl White - Bank of Montreal - CEO

So I think our wealth business is poised for something of a breakout because if you look at the performance of our wealth business, we had a bit of a flattening a couple of years ago. We had a good run last year and markets were constructive.

When you look at our wealth business overall, what I like best about it is its diversification. It has got a tremendous franchise here in Canada in the Nesbitt Burns franchise. It has also got a strong private banking franchise. I think many of our peers have made a choice to say we are either going to have one or the other. We actually think we have a pretty good offering to our clients on both the Nesbitt Burns and on the private banking side here in Canada and we have work to do to make sure that those franchises are more efficient. So that would be one priority.

When you look at our assets in the personal wealth business outside of Canada, we've got a really good private banking offering in the United States and it's small. We've done a really good job shedding non-core assets in the United States in the wealth business. We have narrowed the business down to its core focus and it, like the retail franchise that I talked about a few minutes ago, I think is poised to grow from a sales perspective. So we have shifted the focus from restructuring the operation in the U.S. to a sales growth perspective.

Then I look at the asset management franchise and the asset management franchise is a top 50 asset manager in the world. We don't talk about this actually a lot. It doesn't get that much attention. We bought the F&C business in the UK a few years ago and the combination of that business with our traditional asset management business in the U.S. and the AUM that we have in the United States that we manage out of Chicago is a top 50 business in the world at $400 billion of assets round numbers, and inside of that, we've got a marketshare of ETFs in Canada of 30%.

So to me, that's a pretty attractive package, particularly in a constructive global equity market where we've diversified across those different geographies where we have got business plans in place to grow the business. When I put it all together, I've told you a little bit about the priorities, what do I expect in terms of outcome, I would expect that business to perform probably at the highest growth rate among the business segments in the bank.

Darko Mihelic - RBC Capital Markets - Analyst

Excellent, thank you. So maybe we can switch gears and sort of come back to Canada in a convoluted way because I do have to get my themes in here. So one of the things in Canada that's a big thing, a question often asked is, what's your outlook for mortgages? And I'm doing this with Bank of Montreal in the sense that if you go back four or five years ago, you were quite splashy with the 2.99 mortgage and it was a big thing and you got a lot of headlines.

Not a lot of headlines today for Bank of Montreal in the mortgage space in Canada. So 2 questions. One, maybe you can talk to the outlook for residential real estate mortgage growth and your position in the Canadian marketplace today.

Darryl White - Bank of Montreal - CEO

Sure. So I don't have a new mortgage offering to announce today, but what I will tell you is if you look at our position in the Canadian mortgage space, offering or not, it's been consistent over time. We are give or take 10% of the Canadian mortgage market and give or take 20 basis points around that has been our market share for the last several years.

So relative to our peers, we would be underweight the Canadian mortgage. To put that in a little bit more perspective, we would have about 28% of our total loans at the bank related to the Canadian mortgage portfolio. I think the peer average is something like 40%. So we are talking about a portion of the bank, a product offering that is underindexed relative to the peers and has been steady and has been growing with the market.

You asked me what the outlook will be as we go forward. I think it will be consistent. I think Cam said in the call in the fourth quarter that if we looked at something like 5% as we go forward in the mortgage portfolio this year, that's probably a decent number. Early signs are positive, I would say, with respect to how the year is developing.

The portfolio is good; you know the statistics in terms of its LTV and its insured - it is over 50%. And I would expect us to grow with the market. So we're not here to say we are going to change that as far as the mix in the Bank of Montreal is concerned. Of course, all of our people are motivated to gain market share and to do their best by their clients, but we think about the value proposition to the customer to be first customer-focused; second, product-focused.

So if we can increase our number of primary customers without increasing our mortgage market share by 2% or 3% or 4% that would be fine. So if you think about us participating in the market in that way, I think that would be a reasonable assumption.

Darko Mihelic - RBC Capital Markets - Analyst

And so given that you tend to be a little bit more commercial-focused, should we expect that -- should we expect commercial to actually grow - sounds to me like it's going to grow faster than mortgages. Would that be a fair statement?

Darryl White - Bank of Montreal - CEO

Yes, look, anyone who sits here and tries to answer you with certainty is -- by definition there's some guesswork in it. I think the answer is probably yes. When you look at -- and you are referring to Canada now?

Darko Mihelic - RBC Capital Markets - Analyst

Yes, Canada.

Darryl White - Bank of Montreal - CEO

So you look at Canada, yes, you think about the commercial portfolio that we have in Canada, we have -- we are the fourth-largest balance sheet in Canada. We have the second-largest market share in commercial lending. We are pretty good at this. We are actually very good at this. It's a long-term relationship game. It's difficult to displace, it is multiproduct, it's sticky. You typically have the TPS, the cash management, you've got the loan, you've got the relationship with sometimes generationally and intergenerationally with businesses and with founders and we've got a deep expertise in this business.

Where will the market grow is a good question. That's really a question around how do we think the Canadian economy is going to perform and what's the lift, the leverage affect over the Canadian economy of a commercial lending business that has an advantaged market share and tends to defend that market share with everything it's got. That is what we will do and when you put all that together, is it going to grow faster than 5% this year? I'd be shocked if it did not. We expect it to from a business planning perspective.

How far can we push it? We've been growing that business closer to 10% for many years as you know, and that would be an expectation that I would have as we look forward in that business. It's a great business and one of the unique things for us is we actually don't -- the reason I asked you to particularize your question - are we talking about Canada now - is because I'm happy to answer the question that way because you asked it, but just to situate you, we actually don't think about these businesses as a Canadian business and a U.S. business.

The commercial business is a prime example. We run all of our businesses on a North American basis now, and if any is leading the way, it would be the commercial business. And so we look at all of the things I've just said about how we run the Canadian commercial business is how we run the U.S. commercial business.

I talked about the loan split in the U.S. of 75%/25%. Now I'm talking about that 75%. So you put that together with the Canadian business and I can't tell you how optimistic I am about it because it's something that we are exceptionally good at, the market is constructive around and we intend to continue to invest and grow.

I looked at something last night. If you look at our commercial and capital markets businesses combined, the cross-border theme that I'm sort of sneaking into right now, 40% of all of our customers are active cross-border and we are active on almost everything they do cross-border. We've got thousands of customers in the commercial and capital markets business and we like to be able to say that we should own the border across all of our products and services as well as anybody in the business. So I am pretty attracted by the outlook against our capability. I can come back to Canada now if you want me to.

Darko Mihelic - RBC Capital Markets - Analyst

No, no. Actually it's interesting because I think one of the first things you did on the managerial side when you became CEO is you elevated Cam or expanded Cam Fowler's role to look across North America. I mean was that the intention there? What is it that -- what's Cam -- what are his top priorities and what are you trying to achieve with him?

Darryl White - Bank of Montreal - CEO

Yes, that's a good question. So I guess there's 2 factors at play there. First of all, there is the person and second of all, there is the business imperative. Cam, first of all, is one of the most capable banking executives I know, that I've ever met. He is innovative, he has got tons of energy, he has got great leadership capabilities and he is a perfect partner and frankly, his background is a great complement to my own. So it was clear to me that he and I had the potential to do a lot of things together.

And then when you look at the business imperative, I talked a little bit a moment ago about the commercial business. Cam's responsibility -- we've almost doubled it because his prior responsibility was the Canadian personal business where, in the business banking business where we had around 900 branches, we add to that in his portfolio around 500, a little over 500 branches in the United States, we added the business banking business in the United States and we asked him to take a North American gaze over everything that we do.

He also has responsibility for our payments, our channels, our fraud and digital and we put that all under a North American umbrella and we asked him to look at the business in personal and business banking that way and to me it's a great match between capability and business opportunity. So that was a no-brainer.

Darko Mihelic - RBC Capital Markets - Analyst

And that's a good weave into one of the teams, which is fintech and tech spending. Maybe given that he's got responsibility for digital, maybe you can talk a little bit about your position on tech spending and what it is you are trying to achieve there.

Darryl White - Bank of Montreal - CEO

One of the things I'm most proud of in terms of our performance last year, so I think you can take this as a little bit of an indication of how we are thinking about the business plan over the next 5 years, is we increased our tech spending by 13% last year. Others have said that they have increased their tech spending and I think that's fine and good. And we delivered 2% operating leverage, and we grew our earnings by 10%, and we returned capital to shareholders and we increased our dividends a little bit more than people expected.

So there's lots of “ands” in there, and so we made a choice that there would not be many “ors” in those statements and that's the same thing we are doing going forward. So that is the first thing I'd say. It's not let's increase our tech spending and take an earnings holiday. That's not the way we are thinking about tech spending going forward. We will continue to increase our tech spend as we go forward and the way I think about it today is the discipline that I've just described will continue, the focus areas of where you spend as you continue to spend more start to pivot because when you have got a central architecture and a data lake that is as robust as we think ours is, you realize that you can moderate your spend to some extent on architecture, on regulatory, and then you start to redeploy in cyber, in customer applications, in AI and in places where you can accelerate growth from the perspective of customer acquisition and customer satisfaction.

Does that help? That's sort of where I think we are on the agenda from a technology perspective and I am pretty excited about it.

Darko Mihelic - RBC Capital Markets - Analyst

And in terms of growing that tech spend, so 13% last year, we're still thinking double-digit moving forward?

Darryl White - Bank of Montreal - CEO

Probably.

Darko Mihelic - RBC Capital Markets - Analyst

Okay, thank you. Maybe we can touch real quick on the Basel theme as well, talk about what is your early read on Basel reforms and how should investors think about your bank with respect to its capital priorities.

Darryl White - Bank of Montreal - CEO

Yes, sure. So I think the first thing investors should think about is 11.4% as the starting place in terms of our CET1 ratio. As you think about Basel reforms, I guess we might hear more about them with your guest speaker at lunch today, so we'll see what comes there. But with respect to Basel IV, when you've got a stage-in horizon to 2022 and beyond and you've got a starting place that says we've got a lot of capital, we're not of the view, Darko, that we have to take any actions that are unnatural to deal with Basel reform. We are in a very good place and we've got a very active capital management program as you know.

I think what you might see over the next period of time is -- you asked the question of your previous guests -- you guys all build capital and at the same time, you talk about organic growth -- I sort of think it's a little bit more complicated than that because there are a lot of things at play all the time, as you know, in the capital ratio. And the current environment is a perfect example, isn't it?

We have got banks who have DTA writedowns, we've got IFRS, we’ve got Basel reforms, and we've got share repurchases. Then we have the organic growth opportunities and we've got the capital ratio starting points. So I think you might see a little bit of small range gyration in capital ratios as we move through the course of 2018 and at least speaking for the bank I work for, we are completely comfortable with that and we've got a plan to manage through it starting from a pretty hefty spot.

Darko Mihelic - RBC Capital Markets - Analyst

Okay, and now the fun part. I'm going to open up my screen here and see – there we go. So I will get to the questions. Okay, the number 1 question -- it's a take on the U.S. retail growth and struggling with slow U.S. retail growth. Why not innovate and make an online retail bank in the U.S.?

Darryl White - Bank of Montreal - CEO

That's a good question. I guess the first thing I would say is never say never. It's not something that's on the table for us right now, but it is a conversation that we have from time to time. And when you start from the place that you have - you don't have a blank slate - that's a question that's really easy to answer if you are starting with a blank slate and a group of us in this room could go out and say let's start a bank and maybe it should look like that.

We've got 40 years of practice with retail and commercial banking in the United States. We've got 500 branches, we've got a great deposit share, we've got an installed base and we've got a regulatory muscle that is working and is effective, and in a funny way, it would be easier to have none of that and go ahead and start a digital offering or uniquely digital offering and not have all of the other infrastructure. We do have all that other infrastructure.

Now does that mean that there isn't a middle ground and there might be an opportunity, for example, for us to accelerate our digital agenda faster in the United States off of a smaller customer base than it is in Canada? That's possible. So I think that's one way to think about the question, but I don't know you'd expect us to make a big splash into a digital-only offering or digital-only acquisition. Anything is possible, never say never, but we don't want to disenfranchise the customer franchise that we have right now. We don't want to tell everybody that they can't stop coming to the bank.

Darko Mihelic - RBC Capital Markets - Analyst

Okay. And then another question here that -- there's 3 of them, and they are all tied here, so I'm going to quickly try -- your bank has a high capital ratio. Why is it so high and how low are you willing to go?

Darryl White - Bank of Montreal - CEO

In 2010, when we bought the M&I bank, we went down to within a hair I think of 10% and one of the things that I think is pretty cool about that is that we built it back up to 11% within 4 quarters. And the ability to manage capital actively, to be in a position to take advantage of opportunities when and if they get in front of you, to me is pretty attractive.

The question at the beginning of it, why is it so high, that's really a function of a lot of things that I talked about earlier. Things move around, it's not as linear as people might expect and we are going to see some movements as we go forward.

I talked earlier about the DTA. We will have a small impact on the capital ratio. I think we've said it could be 15 to 20 basis points on the DTA relative to the 11.4% starting place. So you build capital in anticipation of certain events and then you use it opportunistically to create value and that's what we do all the time.

Darko Mihelic - RBC Capital Markets - Analyst

And presumably, as you use the acquisition of M&I, presumably, that's one way to get lower, but another question that might rightfully be asked is what if there was a bad economic scenario and we have a terrible recession and how low -- there are buffers and so on. Maybe you can talk a little bit about that as well. How low would you be willing to see it go in a real bad credit cycle?

Darryl White - Bank of Montreal - CEO

Yes, that's actually the right question because we'll see it move around within a range because of a lot of factors over time, but when you go into a difficult cycle from the perspective of underwriting activity, from the perspective of where we are in the risk curve, you have to be confident that you've got the buffers in place. So for us, if you think about floors going forward, those might move depending on circumstance, depending on market, but a CET1 ratio that is below 10% is not something that I can imagine.

That could change, I suppose in theory, if things change from an environmental perspective or a regulatory perspective, but at the end of the day, the primary responsibility is to protect the bank and to ensure that we have confidence all the time and that's what we'll do. It's very difficult to be extraordinarily specific about the answers to questions like that because they are all so circumstantial in the moment.

Darko Mihelic - RBC Capital Markets - Analyst

Of course. And one last question here for fun because it's also voted with 3 votes to be the question that I ask is you are 2 months into a new job, and what have been your 2 biggest surprises so far?

Darryl White - Bank of Montreal - CEO

Yes, that's a good one. I'd start by saying you might be disappointed a little bit in the answer, but there haven't been that many surprises. One of the things that I've been a great beneficiary of is that we've been extraordinarily deliberate about transition and we have worked on this for quite some time. We have had great support from the Board, fantastic support from Bill and the executive team.

So from the perspective of big “S” surprises, if you want to think about it that way, I'll disappoint you with my answer because there really hasn't been anything that's that dramatic.

I think what happens though is as much as you can prepare for something, somebody said to me it's a little bit like preparing for a cold shower. You know it's coming, but as soon as you get in it, it does feel different and it does feel different from the perspective of how you think about taking responsibility for the decisions you make on behalf of the people, on behalf of the customers, on behalf of the employee base and frankly for the communities where we work and live.

And I wouldn't say it's a surprise, but it is eye-opening to the extent that you realize that this is a pretty important responsibility and one that personally I take very seriously.

One surprise that I guess would be a positive one is the depth of – and I talked about it at the beginning -- the depth of talent across the organization is. I shouldn't say it's a surprise because I knew it was good, I just didn't know it was this good. Everywhere you go you've got really engaged, well-intended, smart, bright people looking to do the right thing by their customers, by their communities and for the Bank of Montreal and its shareholders and it blows me away every day when I come to work.

Darko Mihelic - RBC Capital Markets - Analyst

Were you surprised that the TFC won the treble this year?

Darryl White - Bank of Montreal - CEO

Not one bit. We predicted that 10 years ago when we put our name on the jersey.

Darko Mihelic - RBC Capital Markets - Analyst

So with that, we have a few minutes left here. Maybe I'll just throw the floor back over to you for the key message you want investors to leave here today about your bank.

Darryl White - Bank of Montreal - CEO

Yes, Darko, I'd just go back to where I started. I think we've got a really solid foundation. You and I have talked about a few of the features of that as we've gone through our conversation here. I think that foundation that we have is built to deliver more as we go forward than it has in the past. And the word that we use around our place quite a bit right now is acceleration.

We think we are ready. We are at a point in time where we are ready to accelerate into the various priorities that I have talked about with you here. That should drive a revenue growth rate that's more attractive than the one that we've seen in the past and I think investors should think about -- I would love them to think about the fact that our business model has the opportunity to take advantage of an industry-leading capital ratio, opportunity on the efficiency side that I think is better than most, a diversified big business mix that has about 40% of our business in the Canadian P&C business, and 20% in each of the other 3 verticals and from a geographic perspective, and 25% of our NIAT coming out of the United States and growing at a rate that is faster than the bank at large.

So to me, that's a package, when you activate against it and you accelerate the priorities of the workforce, that has some pretty attractive returns ahead of it. That would be my message.

Darko Mihelic - RBC Capital Markets - Analyst

Okay, that's great. Thank you very much for participating.

Darryl White - Bank of Montreal - CEO

Thank you for having me.