BMO Financial Group

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We caution that the foregoing list is not exhaustive of all possible factors. Other factors and risks could adversely affect our results. For more information, please see the Enterprise-Wide Risk Management section on pages 77 to 105 of BMO's 2014 Annual MD&A, which outlines in detail certain key factors and risks that may affect Bank of Montreal's future results. When relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider these factors and risks, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Bank of Montreal does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented, as well as our strategic priorities and objectives, and may not be appropriate for other purposes.

Assumptions about the level of default and losses on default were material factors we considered when establishing our expectations regarding the future performance of the transactions into which our credit protection vehicle has entered. Among the key assumptions were that the level of default and losses on default would be consistent with historical experience. Material factors that were taken into account when establishing our expectations regarding the risk of future credit losses in our credit protection vehicle and risk of loss to Bank of Montreal included industry diversification in the portfolio, initial credit quality by portfolio, the first-loss protection incorporated into the structure and the hedges into which Bank of Montreal has entered.

Assumptions about the performance of the Canadian and U.S. economies, as well as overall market conditions and their combined effect on our business, are material factors we consider when determining our strategic priorities, objectives and expectations for our business. In determining our expectations for economic growth, both broadly and in the financial services sector, we primarily consider historical economic data provided by the Canadian and U.S. governments and their agencies. See the Economic Developments and Outlook section on page 30 of BMO's 2014 Annual MD&A.

Non-GAAP Measures

Bank of Montreal uses both GAAP and non-GAAP measures to assess performance. Readers are cautioned that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings under GAAP and are unlikely to be comparable to similar measures used by other companies. Reconciliations of GAAP to non-GAAP measures as well as the rationale for their use can be found in Bank of Montreal's Fourth Quarter 2014 Earnings Release and BMO's 2014 Annual MD&A, all of which are available on our website at www.bmo.com/investorrelations.

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 taxes; adjusted net income, revenues, provision for credit losses, non-interest expenses, earnings per share, effective tax rate, ROE, efficiency ratio and other adjusted measures which exclude the impact of certain items such as credit-related items on the purchased performing loan portfolio, acquisition integration costs, amortization of acquisition-related intangibles assets, decrease (increase) in collective allowance for credit losses, run-off structured credit activities and restructuring costs.

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

PRESENTATION

Bill Downe *- Bank of Montreal - CEO*

Good morning. Thanks very much to all of you for coming. I think the audience is about half online and thank you to all of those who are participating in the webcast and to all of you here in the room. We're delighted to have you here and thank you for participating. I know a number of you had an opportunity earlier this morning to walk through the revamped First Canadian Place retail space where all three of the businesses are represented. I hope that was a constructive use of your time and that also you had an opportunity to look at some of the technology that's working its way into the daily lives of our bankers and I hope you found that as energizing as we do.

We're all pretty excited about this day. We look forward to the opportunity to go down to a detailed operating business level and talk about how we compete. And most importantly to give you the opportunity to meet the leaders of the individual businesses, the people who are inspiring the front line and working with our customers every day and I have to tell you, I have an enormous amount of confidence, not only in the strategies as laid out in the material that they're going to cover with you, but in the people that are leading these initiatives as well. And I think when the day is over, you'll have a good feel for not only why the Bank has momentum in the individual businesses, but how that's going to play out in the future.

Every part of the strategy comes back to the commitment to customer and the sense of how important brand is and that's derived from a clear understanding of who our customers are and the fact that people are most concerned with the fact that money is personal and their bank should be too. And the whole notion of how we face the market, how we communicate with customers, how we understand what's most important to them should come through in every one of the presentations and it should be part of the way that you think of the Bank of Montreal and the various parts of BMO as uniquely competitive in the marketplace moving forward. And that applies in the physical space and in the digital space equally.

The third thing that I want to say before we get underway is that you can't ignore the economic environment. Globally we are in a low interest rate environment. Commodity prices have weakened quite significantly since really June of 2014. In Canada, for the first time, we're going to have headwind that's a little stronger than the United States where in fact we're seeing a shift in momentum and in the intermediate term and I say probably by midyear the strengthening -- continuous strengthening of the US economy -- is going to be very positive for the manufacturing and service sector in Canada. In the short run, you can feel those pressures.

But what's important about today is the things that we're talking about relate to how the Bank competes in a slow market or an expanding market and the foundation for it is the momentum that we've generated in each one of these businesses over the last seven or eight years which have ebbed and flowed, but in each case, the focus on the customer is allowing us to grow our business. But it really is the competitiveness of the individual businesses that I think will stand out.

We did an Investor Day in December of 2006 and I went back and looked at the notes. Only a few of you, in fact I think only two or three of you who are in the room attended that meeting. But when I think about the -- really the arc of competitiveness that you can see across all of our businesses -- the strategy that we're operating under we laid out at that time, the proof points weren't nearly as clear as they were in year two and year four. But today it's abundantly clear how we compete and why we have confidence in the business whatever the economic environment.

With that I am going to turn you over to Frank Techar who is going to lead the day and the first speaker is going to be Sharon Haward-Laird, our Head of Investor Relations. I'm going to stay here. I'm looking forward to the day and hopefully have a chance to talk.

Sharon Haward-Laird *- Bank of Montreal - Head, Corporate Communications & IR*

Good morning, everyone and thank you, Bill. I'd like to add my welcome to those of you joining us on the webcast and for those of you who are able to join us at our executive offices here in Toronto. One point of order, I'd like to, on behalf of those speaking today, note that forward-looking statements may be made during this presentation. Actual results could differ materially from forecasts, projections or conclusions in these statements.

I would also remind our attendees and listeners that the Bank uses non-GAAP financial measures to arrive at adjusted results to assess and measure performance by business and the overall Bank. Management assesses its performance on both a reported and adjusted basis and considers both to be useful in assessing underlying business performance. Our presenters will generally be referring to adjusted results in their remarks, unless otherwise noted. Additional information on adjusting items, the Bank's reported results and factors and assumptions related to forward-looking information can be found in our annual MD&A and our fourth quarter earnings release.

Now let's turn to today's agenda. We have a very full schedule of presentations for you today and we're excited to talk to you about each of our businesses that we're covering. We'll start with Frank Techar, BMO's Chief Operating Officer, who will make some opening remarks. The rest of the day will essentially be divided into two segments. The morning segment will focus on BMO's Canadian personal and commercial banking business. Cam Fowler, Head of Canadian Personal and Commercial Banking, will provide a strategic overview of the business. Cam will be followed by the heads of the two lines of business within Canadian banking. Steve Murphy from Commercial Banking, and Ernie Johannson from Personal Banking.

We'll also hear from two of our division executives, Carolyn Booth from our Atlantic Provinces Division and Andrew Auerbach from the Greater Toronto Division. After their presentations, we'll have a 30-minute Q&A period.

Following a break for lunch, we'll begin the afternoon with a strategic overview of our Canadian and international wealth management business and that will be led by Gilles Ouellette, Group Head, Wealth Management. Following Gilles' presentations, we'll hear from several members of Gilles' leadership team; Rajiv Silgardo and Barry McInerney, Co-CEOs from BMO Global Asset Management, Charyl Galpin, Head of BMO Nesbitt Burns, our full service investment firm, Julie Barker-Merz, Head of BMO Investor Line, Peter McCarthy, Head of BMO Insurance, and Myra Cridland, Head of Private Banking for Canada and Asia.

After their presentations, we'll have another 30-minute Q&A session and Frank Techar will then close the day with some brief remarks. I'd like to just introduce a few other members of the Bank's senior management team who are with us today: Tom Flynn, Chief Financial Officer, Surjit Rajpal, Chief Risk Officer, Jean-Michel Ares, Chief Technology and Operations Officer, Joanna Rotenberg, Chief Marketing Officer and Head of Strategy, and Connie Stefankiewicz, Head of North American Channels and Solutions.

We also have other senior members of the individual teams who will be presenting and they'll be introduced by Cam and Gilles during their presentations. As this event is being webcast live and perhaps we should have mentioned this earlier, if you could please turn off your cell phones and hold your questions until the Q&A sessions. During Q&A, we'll have microphones and we'd ask that you wait until you have the microphone and state your name before asking your question.

And now with the logistics over, I'd like to turn it over to Frank Techar, Chief Operating Officer of BMO Financial Group.

Frank Techar ***- Bank of Montreal - COO***

Thanks, Sharon. Good morning everyone. Thank you all for joining us today. I was one of those people who was here in 2006 and one thing hasn't changed since then and that is that my boss covers all the material before I actually have the opportunity to make my comments. So there's going to be a few things that I am going to reinforce for you, a few other things I'd like to add just to start today.
As you know, this Investor Day does feature our Canadian P&C and our Wealth businesses, and we do appreciate the time that you've taken to learn a little bit more about us. We're awfully proud of the great progress that we've made in both of the business, strengthening both of them over the course of the last four or five years and we hope that you will find the presentations informative over the course of the day.

Last time we showcased our Canadian P&C business was about five years ago and the first thing I'd just like to share with you is today we think we're a much different bank. I think you'll find that this theme resonates throughout today's presentation and I'll give you my perspective on a few reasons why we believe that.

Since 2009, the Bank's net income has nearly doubled and 2014 was another year of tremendous progress in advancing our strategic priorities. We generated CAD4.5 billion in adjusted net income[1], declared CAD2 billion in dividends to our shareholders, we ended the year with a strong capital base in excess of 10%, we announced our intention to renew our share buyback program and we also completed the CAD1.3 billion acquisition of F&C Management. It was another in a long line of very busy years for us.

There has also been meaningful change in the two businesses we are showcasing today. Both of them are larger, they're more diverse and they have stronger positions in the marketplace. 2014 was a record year for Canadian P&C with CAD2 billion[1] in earnings up from CAD1.4 billion[1] in 2009, an increase of over 40%, and over the same period, operating efficiency improved significantly. You'll hear later from Cam and his leaders about some of the specific things we've done to achieve the great progress in our largest business.

Wealth Management has also grown significantly since 2009. Client assets have tripled to over CAD800 billion and earnings have more than doubled to over CAD800 million[1]. We have a very strong lineup of leading wealth businesses, which Gilles and his team will tell you more about this afternoon.

Another important change since 2009 is our business mix. The Wealth Management contribution to operating revenue has grown to 22%. And last year combined, our personal, commercial and wealth contribution was over 78% of operating revenue.

While today is focused on Canadian P&C and Wealth, we also believe that our footprint and presence in the US is an advantage, especially in today's environment. Our US segment is large and growing and contributed 20% of total Bank net income in 2014.

During a period when the US economy continues to improve, we have good growth opportunities across each of our US businesses. We are confident we have the right strategies in all our businesses and the ability to adapt to evolving market conditions. This gives us confidence that we can continue to perform well and deliver on our medium-term objectives.

The customer landscape, as you know, has changed dramatically over the last few years as well. There's an ongoing shift towards digital and a demand for personalized service in the moment. This has required us to develop new capabilities and new ways to respond to customer needs by working together across businesses and across borders. Advances in technology and communication are transforming the lives of consumers and how they do their banking. Extending the digital experience across all of our channels is a key focus for us across the company. We are integrating the best features of the latest technology and are gaining recognition with big increases in usage. For example, in Canada, financial transactions such as deposits, withdrawals, bill payments and transfers through our digital channels were up over 20% just this past year, and our mobile customer usage has nearly doubled. For those of you who are here in person, I hope you had a chance to check out our technology demo room. We are excited about the new capabilities that we have on display there that we've developed over the last couple of years. You'll hear more from our presenters today about digital and how we're offering clients a more integrated and seamless experience.

Another big difference about the Company is that we have changed the way we go to market. We are working more closely together as one bank across businesses and across borders. We view our businesses as complementary, providing our customers with a full suite of capabilities and it's no accident that we're presenting the Canadian P&C business and the wealth business today together. You'll hear about how these businesses are collaborating to bring all we have to offer to our customers and drive future growth. With the expansion of our US footprint in 2011, we have significant scale as the second largest Canadian bank as measured by retail branches in Canada and the US, and that means to us a significant opportunity to expand our capabilities to customers across our North American platform. For this reason, cross business and cross border initiatives are an advantage and a significant opportunity for us.

Let me give you a few examples just to reinforce this point. Our commercial business in Canada and the US are partnering to create banking, treasury and payment solutions for clients doing business in both countries. We have strong seasoned bankers on both sides of the border who understand not only their industry specialties but they understand the many nuances associated with doing business in both countries. We've established this team of bankers to serve this

[1] On a reported basis: total bank net income was $4.3B; Canadian P&C reported net income for F2014 was $2.0B and for F2009 was $1.4B; Wealth Management reported net income for F2014 was $785MM

growing client base and expect to add over 150 north and southbound clients this year and to ultimately double the existing cross border revenues in the next four to five years.

We also track referrals across our businesses. In 2014, over CAD12 billion in assets were referred between Canadian P&C and Wealth Management. And through strong collaboration between these businesses, net mutual fund sales through our branch network has grown at a three-year compound annual growth rate of over 20%. And this afternoon, you'll hear about the opportunity we have to increase penetration of our online brokerage business within our Canadian P&C customer base along with other examples about how we're working together.

One final example I'll share is how we've transferred our expertise and capabilities in auto dealer financing from Canada to the US with great success. We started building our US business in 2010 from the ground up and we've leveraged the knowledge and best practices that were well established in our Canadian business. Today we have a national business in the US operating in 26 states with over 100 dealers as clients and our loan book has grown to approximately CAD2.5 billion with a three-year CAGR of 60%.

I'm sure you've noticed also that we've taken a refreshed look at how we speak to the market through our brand. A big reason for the strong financial performance I've talked about and what Bill mentioned is that we've consistently look at our business through the customer lens. People are redefining their expectations in banking and they largely want to make their own financial decisions; there is no playbook.

The way people plan their lives and set financial goals is fundamentally different than the way it was a few years ago and while money is a very personal thing, banks are still seen as being very transactional. We're evolving our brand to deliver on these changing customer needs and expectations and our basic promise to our customers has not changed. We want to make them feel understood, feel valued and most of all feel confident that they're making the right decisions. And this is captured in our tagline, we're here to help. We launched our new campaign in late fall supported by incredible energy from our people. Thousands of employees helped us co-create this work and over 7,000 ideas were submitted. We're pleased with the early results and we're getting great early feedback from the marketplace.

We believe our refreshed brand will be a strong driver of increased customer loyalty for growing existing customer relationships and of course attracting new customers who realize that we are just not any bank. All of these are proven drivers for share gains and growth.

As I've highlighted, big things have happened in our industry over the last six years and we've responded which has led to a lot of change in our company. But we think that change gives us a lot of confidence in the future.

A common thread throughout all this change is that the customer remains at the top of our five strategic priorities that guide the Bank. We've been clear about what we think is important and this has led directly to our strong financial performance. You're going to hear us talking with confidence today about our business and our ability to compete going forward. However, clearly the expectations for the Canadian economy have slowed considerably over the past few months.

As Bill mentioned we're not immune to those impacts, but we are confident in our businesses and will manage through them during this adjustment period. To close, the biggest reason I feel confident about the future is because of the strength of our people and the individuals who lead them and you'll have the opportunity to get to know some of our strongest leaders today. And with that I'll turn the podium over to one of those strong leaders Cam Fowler, the Head of our Canadian P&C Business. Cam over to you.

Cam Fowler ***- Bank of Montreal - Group Head, Canadian Personal and Commercial Banking***

Thank you, Frank, and good morning everyone and welcome, thrilled to be with you here this morning. Over the past year I've had the chance to meet with many of you and talk about the strength of our Canadian Bank and I am thrilled to meet more of you today. Hope you enjoyed the branch tour this morning. I'm really proud of that branch, the format, the feel of the place, the people we have driving it. It's a special spot and the First Canadian Place branch represents our view in many ways of the future of banking. It's a talented team with a winning mindset and I think really importantly its integration with the Wealth Management business is critical to us and it's critical to our clients.

Before I start I'd like to introduce the team members who will be speaking today. We have Steve Murphy, who is the Head of Canadian Commercial Banking. We have Carolyn Booth, Head of the Atlantic Provinces Division; Ernie Johannson, Head of Canadian Personal Banking; and Andrew Auerbach, who is the Head of the Greater Toronto Division.

In addition, I'd like to introduce some of the members of the team who are equally critical to our success and are here today. We have Andrew Irvine in the front row, Head of North American Payments and Treasury Solutions, we have Steve Wooters, Head of North American Retail Payments, Jim Kelsey, Head of the Corporate Finance Division. We have Connie Stefankiewicz, Head of North American Channels, Wendy Millar, Chief Risk Officer, and Mark Oakes is our Chief Financial Officer.

As you see from the agenda, I'll speak first and then Steve Murphy and Carolyn Booth will cover our commercial strategy and performance followed by Ernie Johannson and Andrew Auerbach, who will provide a perspective on the retail business.

I will focus on four areas today: the strong foundation we've built in the Canadian bank, our recent performance highlights, our strategic priorities going forward and finally our commitment to delivering on our medium-term objectives.

Let me start by laying out a few facts. Our Canadian Personal and Commercial Bank contributed 46% of BMO's earnings in 2014. We delivered CAD6.5 billion in revenue and CAD2 billion in net income. We have over 7 million retail customers and we are the number one MasterCard and AIR MILES issuer. We have nearly 400,000 business clients and a strong number two market share position in business lending. And finally, as Frank mentioned, we are a North American bank with important capabilities that connect our businesses; east and west connections across our footprint between personal, commercial and wealth, and north-south connections between wealth, retail, commercial and our payments business.

I'm really proud of the work that we've done to revitalize our Canadian bank in recent years. This is particularly true of my leadership team. I believe our success has been built upon the strength of our people. We have a unique and powerful structure that is complemented by exceptional talent and three distinct leadership roles. We have Personal and Commercial Banking business leaders, Ernie Johannson and Steve Murphy, who develop the customer product channel and sales strategies for our personal and commercial businesses nationally, we have our payments leaders Steve Wooters and Andrew Irvine, who develop customer and product strategies for our payments businesses, and these are North American mandates, and finally we have our distribution leaders including Andrew Auerbach and Carolyn who execute these strategies and drive customer growth, loyalty and risk management in their own geographic markets and we have eight of these geographic leaders reporting directly to me.

Platform renewal has also been a critical component of our strong foundation. Given the importance to our strategy we focused on our sales system, our commercial platform and our cards platform, and I will take each one of these in turn. One of the most impactful decisions we've made in recent years relates to the evolution of our sales model. We moved from six divisions nationally to eight and built distinct sales forces for the Personal and Commercial Businesses. This change brought our distribution leaders closer to our customers and increased the focus and capacity of the sales forces. Today we have 70 personal and 13 commercial vice presidents across eight divisions who are empowered to drive our brand, our customer franchise in their own community and we've been very pleased with the results.

We have also renewed our commercial banking platform with a focus on two areas. The first has been bringing together front and middle-office capabilities in each geography to strengthen local decisioning on deals and accelerating execution time. The second is that we replaced our commercial lending platform to create additional front line capacity that can be invested in broader conversations with existing and new clients with a particular focus on deposit growth. We believe these changes position us well to expand our already strong commercial business in the coming quarters.

In our payments business, we recently converted our retail cards portfolio to a new platform. This upgrade will give us faster time to market with new products, improved fraud management, better price and portfolio management and importantly alignment with our US and corporate card businesses.

Another foundational focus has been our channels where we have invested in an integrated and seamless experience for our customers. Let me start with digital. Winning in digital is critical to our loyalty and growth agendas and we believe we are well positioned to do so. Clearly the rise in adoption and confidence with mobile and tablet in particular is driving migration of service transactions to lower cost self-service channels. It's also creating an opportunity to engage our customers in different ways, ways that are more aligned to today's realities; always on, connected, on the move, transactions across multiple touch points, anytime and anywhere. Given these opportunities, we've significantly increased our digital capabilities.

BMO now has a market-leading mobile banking app, number one in the App Store when launched and we've had over 4 million downloads. We also recently introduced the best-in-class tablet app, with leading personal financial management capabilities and the ability to bank and invest through a single application. And we're the first to deliver a North American remote deposit capability for business clients. Our clients and prospects are extremely excited about this capability we launched in November and the response has been outstanding, 150 orders a week. And finally, we enhanced bmo.com, our public site, to include a more responsive design and intuitive navigation, which we believe sets the standard for the industry.

Our branches are the cornerstone of our business and will remain so in the coming years. It's clear though that the role of the branch, the size of the branch, its capacity, its connectivity will change through time. But our physical presence will be crucial to our distribution with an emphasis on customer acquisition and advice based sales. We focused on two important areas when it comes to the branch, number one, optimizing the locations that we have and number two, tailoring the formats to the needs of the market and in many cases this has led to much smaller format branches.

These new formats have performed very well for us with 35% less square footage, significant reduction in capacities and capital spend per branch, operating cost down 16% and a meaningful increase in revenue per square foot. In addition to our branch and digital presence, we also have a strong and growing ATM network and we have a world standard contact center that supports our growth and loyalty aspirations with inbound and outbound voice and digital capabilities.

Our performance in both growth and loyalty is strong and improving in each channel and we are diligently focused on ensuring that we find ways to connect seamlessly with our customers across all channels.

The final pillar of our foundational strength is our unique strategic partnerships. We are the largest Canadian MasterCard issuer and AIR MILE issuer. AIR MILES is Canada's premier coalition loyalty program with two-thirds of Canadian households participating.

Sobeys and Shell are the second and third largest partners in the AIR MILES program and both have cards programs through BMO. We hold a 50% ownership share in Moneris Solutions Corporation, Canada's largest merchant acquirer with 35% market share in the acquiring market. We are proud to be the official bank of the defense community serving the unique needs of the Canadian Military, and finally we are the premier partner of Toronto FC and the official bank of Toronto Raptors.

We select our partnerships carefully with a focus on ensuring that they deliver an extension of our brand and community presence in support of our growth and loyalty aspirations.

Our renewed foundation across our teams, platforms, channels and partnerships has supported our growth. It's clear. Our revenue and net income were strong throughout 2014, driven by healthy core volume, and positive operating leverage of 2.1%.

This growth has been underpinned by market-leading balance sheet growth. Our loans grew 8% year-on-year, our deposits 10% and our mutual fund sales grew in healthy double-digits. We've been particularly strong in residential mortgages and commercial deposits which have been areas of focus for us over the past two years.

With respect to our portfolio, these charts demonstrate our balance sheet is well diversified on both sides. Of particular note is that nearly 90% of our commercial book is secured. We believe our strength and diversification in commercial lending will benefit us.

Before we move to our objectives and strategy, I'll pause and comment on the market. As we entered the year we expected industry loan growth to continue to moderate in line with what we've seen over the last few quarters. However, as Frank mentioned, it's clear that expectations for the Canadian economy have slowed in recent months. Against this backdrop and with the pace of change in payments, digital and regulation, we're focused on the activities that have made us successful in the past, specifically strong operating discipline against our strategic priorities.

With these trends in mind, we're focused on three medium-term financial objectives. The first is annual net income growth above 7%, top tier balance sheet growth and productivity ratio in the mid-40%s. To achieve these objectives, we have four clear strategic priorities: Superior customer loyalty and growth, digital channel acceleration, high performing teams and strong operating discipline. It starts with our customer and customer growth specifically and this means increasing our primary customers and share of wallet in personal banking and deepening our relationships in commercial banking and achieving industry leading customer loyalty.

In personal banking we know that growing our customer base is critical as primary customers engage more deeply with us and they stay longer. We have an opportunity to increase our customer share in mortgages, lending and mutual fund advice based sales where we are strong and where we have invested in recent years and where we are seeing good growth.

We're also focused on Canadians looking to switch or consolidate banking relationships and ensuring that we have exciting and easy to access offerings for Canadians, new Canadians and young Canadians. Payments will be important to our customers' success. Our payments business is a key source of customer acquisition and an area of emphasis for our personal bank.

In commercial we're focused on growing lending share and targeted sectors, specifically manufacturing, healthcare, franchising, professionals and small and micro business. And we have deposit share opportunities in certain sectors in Ontario and Quebec where we are currently underrepresented. We are clear in our commitment to lead the industry in customer loyalty. We are committed at every level of our organization. From front office to back office, senior executive to teller we have strong loyalty today, but our goal is to be number one.

Over the past five years, we've moved from the back of the pack to the front of the pack and in this past year we took the next step in our journey by realigning our net promoter score methodology to bring it more in line with external benchmarks, to survey more of our customers and to cover all of our channels. We'll use the learnings from this loyalty data for coaching, process improvement and experience improvement which we believe will take us to the number one spot we seek.

Our recent success in creating leading digital experiences has resulted in a strong increase in adoption and transaction penetration, in mobile particularly. Our goal is to double online originations by 2017. Based on current adoption and consumer preferences, we expect digital sales to equal the production of 200 branches over the next three to five years. To drive this performance we're focused on user experience, improved analytics and customer insights and we've had success.

For example, we're seeing strong digital originations in credit cards where 29% of sales originate online, almost double the Canadian average of 16%. Building on our learnings in cards, we're now focused on deposits and saving accounts and simple investments.

Turning to our people, we believe strongly that to win in this business we need the best team in banking.

We measure this by the engagement of our employees and the productivity of the sales force. Employee engagement measures how engaged employees are relative to leading companies based on vision, values, views of leadership and careers. This is important because, just as a fully engaged customer, a promoter is worth three times more than a neutral or a detractor, fully engaged employees drive stronger customer and business results and they stay with our company longer.

Research from Sirota, a leading human capital research company, shows that companies with the highest engagement scores consistently outperform their peers. They do so because their employees believe in them. In our business, we have strong employee engagement scores, 81%, which is top tier when we compare with the Canadian FIs. Our goal is to increase this engagement by 5% over the next three years. This would put us in the top tier on engagement compared to the global companies across all industries, not just financial services.

I'd like to spend a moment on productivity. We made excellent progress in the capabilities of our front-line staff and in the number and quality of interactions they're having with our customers and clients. That said, there is more we can do to manage the performance variability across our sales force and better equip our teams to make the best use of the emerging digital world. To this end we're focused on continually improved sales force productivity for both personal and commercial businesses with the goal of improving personal sales force productivity by 3% to 5% per year and increasing the capacity of our commercial account managers by 25%.

I'll finish by emphasizing our commitment to strong operating discipline. First, we are committed to ensuring that our strength in risk management underpins everything that we do for our customers and our clients. The risk management systems we have in place maintain a strong first line of defense that allows us to optimize risk and returns decisions effectively and effectively apply credit management practices across our business.

From an efficiency standpoint, we have demonstrated an ability to grow faster than the market while maintaining close control on expenses. This discipline has served us well in delivering positive operating leverage and will continue to do so. And one final point that I'll add in terms of operating discipline, the simplification of our business processes through digitization and building digitization as a discipline capability within the organization is one of the ways that we will continue to fuel further investment in our business creating even greater value for our customers.

I'll close by reinforcing just a few points, the environment will change and competitive responses will as well. We have a strong foundation, a clear strategy and confidence that through focused execution we can deliver powerful results. We did this in late 2013 and throughout 2014 and we will continue to.

Our customer and digital focus will underpin our medium-term success. We're well positioned and we're confident that we can meet our medium-term objectives.

I'll now turn things over to Steve Murphy who will lay out the priorities and progress in the commercial business. Thank you.

Steve Murphy ***- Bank of Montreal - Head, Canadian Commercial Banking***

Thank you very much, Cam. Good morning, everyone. I am pleased to be here today to talk about our commercial banking strategy and the exciting things that we're doing to deliver great client experience and grow the business.

So let's get started with a quick overview. BMO has a strong and highly profitable commercial banking business representing 35% of personal commercial revenue and 47% of personal and commercial net income.

We've earned a strong number two position in lending market share and our opportunity to gain share is in small business. We're getting great traction. I'm going to talk a little bit more about that in a few moments. But making bold moves when opportunities arise is part of our success, like our announcement yesterday that we're reducing the rate on new Canadian small business financing loans by 50 basis points. We have senior leadership in local markets -- experienced bankers plugged into what's going on in their regional economy.

We're number one in agriculture in Canada and number two in agriculture in North America. This sector is a great example of how we've developed our strength in lending by knowing the industry sector, what drives the growth, the major players, the threats, the opportunities, and knowing your clients, understanding their needs and being there with solutions in good times and in challenging times too.

BMO is the number one corporate card issuer in Canada and number eight in North America. Earlier this month we launched spend dynamics, which increases the controls the company has over the corporate cards at use across our organization.

We're leaders in product innovation. In payments we focus on giving clients the control they want and need over their cash flow. With our award winning online banking for business, clients from small businesses to large corporations can manage all aspects of their treasury needs online. And with DepositEdge launched in the fall, BMO was the first to deliver North American commercial remote deposit capability. DepositEdge enables our clients to deposit checks online using a desktop scanner when and where it's convenient for them. In the fall, we also launched PAYD Pro which turns your mobile device into a point of sale solution. It is Canada's first mobile debit-credit solution and it's a game changer for small businesses. PAYD Pro is provided by Moneris Solutions and since August we've seen our strongest five-month Moneris sales period ever.

In lending we're differentiated by sophisticated solutions we can bring forward to any size client in any industry depending upon their needs. We offer senior debt, asset based lending, sub-debt and real estate. In auto finance, where we've been active for 30 years, we're among the top two banks in the sector. And more recently, we acquired Aver Media in 2013 to extend our film and television production financing capabilities. Through our cross-border capabilities, our clients can transact with ease through the Canada-US border and this year we're focusing on seamless cross-border lending solutions. All these achievements and capabilities have contributed to strong financial performance.

In 2014, revenue growth was 7% which ranks second among our competitors. We achieved this revenue growth despite the impact of competitive pressure and spread compression in a low interest rate environment. Efficiency improved year-over-year by 20 basis points. We made significant investments in new processes, and with the usual period of adjustment for people we are starting to realize the benefits. We had balance sheet growth of 9% in both loans and deposits, above the market growth rate of 7%. We ranked number two in balance growth, significantly better than the previous year and we achieved these financial results while maintaining a very high quality loan portfolio.

Our total lending portfolio is CAD50 billion and well diversified without concentration in any one sector or geography. It's worth noting oil and gas represents just 2% of the portfolio. Our provision for credit loss ratio was 29 basis points in 2013 and 23 basis points in 2014 which we believe to be at or better than our peers. Our risk management approach is based on three lines of defense. Our frontline workforce is accountable for their risk taking. Our risk colleagues provide effective challenge and our audit colleagues provide independent oversight and confirmation that our risk framework is performing effectively. Our overall relationship management approach also plays a role. It requires us to have good working understanding of our clients and their businesses. That approach also distinguishes us in the marketplace. The Canadian Federation of Independent Business conducts a survey every three years called Battle of the Banks. They survey Canadian small and midsized businesses on the service they receive from Canadian FIs.

Among the big banks, BMO is tied for number one in the last survey with significant strength in the value provided by our account managers. The Bond Marketing Intelligence Survey of Canadian businesses measures our performance on key service areas. This third-party survey guides our loyalty strategy and helps us monitor our success. The most recent report ranks BMO account managers number one for providing valuable in-depth discussions and being easy to do business with. Great feedback gives us confidence in our strategy. But the real validation comes in our results for client growth and share of wallet.

Since 2012, our client growth has been 13.5% or 13,000 net new clients. That's due to a 20% improvement in acquisition and a 10% improvement in retention over that period. Share of wallet for our larger clients is top tier. They have products with us at our four main solution categories; deposits, loans, collections and disbursements. Our largest opportunity is in small business, where our clients have an average of two out of four of our product categories. We're leveraging our strength in mid-market to provide small business with similar but simplified products. I'll expand on that a little bit later. The impact of adding one product category is between CAD1,000 and CAD5,000 in one year revenue depending upon the size of the client.

So let me now turn to how we approach relationship management. We have 400,000 clients from start-up to growth to ongoing expansion. Our client relationship management approach differentiates us and while that sounds straightforward, to a degree everyone claims a client focus, at BMO, relationship management means more. It means regular engagement with clients to assess their evolving needs and customized solutions drawing upon a full range of products right across BMO Financial Group. For us it's about seamlessly bringing the full value of BMO to every relationship and growing with our clients. To illustrate how that works, let me provide three short examples. We set up the Aboriginal Banking in 1992. Today, our total portfolio balances are about CAD3 billion, with average 15% growth over the last three years. We have 14 Aboriginal Banking branches and we are one of two major banks with a non-reserve housing loan program. We're the only bank to have been honored in four consecutive years with the Canadian Council of Aboriginal businesses Gold PAR award. That's the Progressive Aboriginal Relations Award. We provide full banking services across all of our lines of business with our growth priority being in the trust and asset management area. And you may have seen a story in the Financial Post earlier this month featuring our client, the Whitecap Dakota of Saskatchewan, they recently transferred their full relationship to BMO from another bank. What they said differentiated BMO was our engagement with them, understanding their business and defining the right terms to finance their infrastructure needs.

I said clients grow with us and it's one of the pleasures of commercial banking to be part of so many legacies. One family business came to BMO as a sewing shop in 1930. 85 years later, it's an international garment business, still family run and still a loyal BMO client. We have lots of these stories. Businesses that start small and over time are managed by generations of our bankers as they grow and expand. My final story involves a high-tech company, 10 years in business, 100 employees and growing, who came to BMO for a payment card so they could purchase supplies. They weren't looking to switch banks. But the conversation that followed with the BMO account manager impressed the client with the time and expense savings we could offer this business. So long story short, a payment card application grew to a full relationship, the client transferred to us CAD25 million in deposits and the rest of their banking.

What ties these three stories together is BMO's sharp focus on each client's unique needs. From start-up to established companies and the value of our relationship management approach. These are just three examples of the kind of relationships and conversations all of our bankers are conducting every day across the country.

So let me turn now to our strategic priorities and how we are building on our strengths. We have three key strategic priorities: superior customer loyalty and growth, a high-performing team and strong operating discipline. I'll start with loyalty. Our goal is to be number one in the Bond survey, which tells us our relative performance on key drivers of commercial client loyalty. There is no clear leader among the banks. So it's ours for the taking. Our biggest opportunity is in small business, they are satisfied with us, but too often they don't see us or really anyone as their primary bank. We want to be the destination bank for small business. To get there, we conduct our own client surveys immediately following key transactions for insights into areas where we do well or need to improve. This feedback is routed to account management involved to take any necessary action. Loyalty scores are part of our performance scorecard. So we get paid on delivering the right client experience. We also list the feedback on our overall offering. Clients want time savings and simplicity. So products like DepositEdge that eliminates the need to go to a branch to make deposits and PAYDPro that turns a smart phone into a debit machine are key to retaining clients and attracting new ones. We believe achieving number one in the Bond survey and maintaining number one will drive client growth and share of wallet. We know for example that when we help a client manage their payments we become their primary bank and a 10% to 20% increase in profitable operating deposit balances follows.

We're also building on our number two lending share. We're strongest in Atlantic and BC where we jockey for number one position, in Alberta and Prairies we're number two. Our opportunity is in Ontario and Quebec, where we're number three. And we think we're well positioned to take advantage of the benefits of the strengthening US economy, lower gas prices and the low Canadian dollar. We're picking our battles by market and selecting industries such as manufacturing where there's an opportunity to grow our relative share and where Ontario and Quebec are poised to take advantage of the sector's growth.

And we're making gains. Quarter-over-quarter, we saw our small business market share grow by 40 basis points in Quebec and 37 basis points in Ontario, the fastest among our competitors. And across the country, we're targeting growing and dynamic client segments such as women entrepreneurs who now represent over half of new small business start-ups. We want to be the bank for women in business as evidenced by our recent announcement that we are dedicating CAD2 billion of our balance sheet to financing solutions to this group. By executing on this strategy, we are confident we will gain lending market share. Our growth priority is dependent on continued momentum in deposits as well. We're focused on increasing our deposit market share.

Our market-leading growth in deposits since 2012 and our 2013 move from fifth to fourth in market share reflects the pivot we've made in the business. Our growth strategy centers on picking battles geographically. Again our greatest opportunity is in Ontario and Quebec and delivering leading payment solutions to drive profitable deposit balances. Our clients and our sales force have embraced our payment solutions, our cash management share grew 5% in two years, putting us in a tie for second place and our Moneris Canadian market share is 35%. DepositEdge is averaging about 150 sales per week for a total of about 1,300 since we went live in mid-November. We're targeting deposit rich industries in municipalities, universities, school boards, hospitals, not-for-profit and knowledge-based industries to help them manage their cash flow and win their profitable offering deposits. In knowledge-based industries, for example, we're seeing a kind of renaissance in tech incubators associated with universities and increased capital investment. We've developed specific strategies to win that business.

So we are confident that we will grow deposit share with our strategy targeting geographic opportunities, growth segments and industries where we choose to compete. How do we go about achieving our target growth? We focus on our team and a strong operating discipline to support them in executing our strategy. Let's start with the team.

Our people are our core strength. Just as we believe that client engagement is essential to success, so we believe employee engagement is essential. These are the people who our clients rely on to bring together our channels and products into time saving solutions. We have 2,000 expert bankers across Canada in 27 banking centers supported by our branches and online, mobile and telephone capabilities. Three points I want to emphasize. First, our bankers are generalist relationship managers, who specialize in select industries based on their market. Second, they have the authority and the credit qualification to make lending decisions locally, which clients appreciate and which reduces delays. And third, our bankers grow across roles and industries and into leadership positions. The opportunities for rewarding careers in commercial banking are significant. And Carolyn is going to tell you more shortly about what that looks like in action and how we support that select expertise.

Let me turn to learning and its critical importance to commercial banking. It's a fact you just can't turn someone into a commercial banker overnight. You have to take the time to develop commercial bankers to help them acquire deep knowledge, credit skills and expertise with clients, and they need the right training throughout their development. We have a commercial curriculum that covers a differentiated relationship management approach something we call Relationship Management the BMO Way. We also have a full program of credit qualification for both credit and cash management. The outcome is fully qualified bankers with a consistent and disciplined approach. Finally, great people deserve great leaders. And our commercial leaders go through ongoing training so they can lead their teams to consistently deliver and the best results. With the right strategy and the right team in place, you need to create conditions for execution excellence. To us that means strong operating discipline.

In 2013 and 2014, we made our largest investment ever to re-engineer our processes and improve our platforms. This transformation included the implementation of lean processes supported by clear accountabilities and reporting, with our team spending more time on value-added activities and less time on things that can be automated, and we added new lending platforms to support seamless workflow across roles. I'm excited about this. 25% more time with clients, 30% faster loan fulfillment. This is how we will achieve the market share growth we're targeting and our revenue growth projections. It's still early days, but we expect to start realizing the benefits this year. The outcome for clients is more value-added guidance from their account manager and faster access to better solutions for their business.

I've given you view of our strengths and objectives, our growth opportunities and our strategies and how we're going to execute on them. I would now like to introduce Carolyn Booth, Head of our Atlantic Division to demonstrate how it all plays out with employees and our clients to drive real growth and efficiencies.

Carolyn Booth ***- Bank of Montreal - SVP, Atlantic Provinces Division***

Thank you, Steve and good morning, everyone. I'm delighted to be here to be able to talk a little bit about my piece of the business. So, as senior leader of Atlantic Provinces Division for both Personal and Commercial Banking, my primary objective is to ensure that our customers get a great client experience every time that they engage with us, whether it's through our branches, our relationship managers or through any of our online or digital channels. My team in Atlantic Canada consists of 860 people, of which approximately 150 support the commercial bank. We have a network of 76 branches across the four provinces and we have seven commercial banking centers in Halifax, Moncton, Saint John, Fredericton, Charlottetown, Corner Brook and St. John's, Newfoundland. We also have commercial experts in select rural markets that we use to support our strategic growth objectives.

So Atlantic Provinces is a very dynamic market and our people have really been the strength behind the growth of our business. They've enabled us to achieve a strong number two position in commercial lending market share and they've spurred consistent growth in commercial deposit share growth where we're currently number three and rapidly closing the gap on number two.

This is my second tour of duty in Atlantic Canada since I joined BMO in 1991 as a teller in Montreal. Over the past 23 years, I've literally had the opportunity and the privilege to do every frontline customer facing job in both personal and commercial banking. And while each of the markets that I worked in was distinctly unique, our go-to-market approach that's really grounded in strong local leadership has been consistent. Clients have the confidence that the people working for them know their market, know their business and have the authority to get things done.

What I'd like to do for the next couple of minutes is really give you a glimpse of how my team in Atlantic Canada and other teams like it across the Canadian Bank execute on all of the strategic objectives that Steve outlined for the Commercial segment. And I'd also like to give you a flavor of what that looks like and what that feels like from both the client and the employee perspective.

So let's start with the client and our goal to be number one on the Bond Loyalty Survey. So Bond is a national survey and those results are not available down to the regional level. To ensure that we're contributing positively to our goal of being number one in the Bond Survey, at the division level, we really focus primarily on two things. As Steve mentioned, we have a framework that supports our relationship managers in building great client experiences known as Relationship Management the BMO Way. This framework provides a roadmap for managing client relationships that our employees can follow with a great deal of confidence. And we measure our progress in building exceptional client relationships through transactional net promoter score. These surveys allow us to assess the overall client experience and at the same time drill down into real moments of truth that we know have the greatest impact on the overall client experience.

We receive these surveys within a couple of days of the key moment of truth, or the transaction. So if a client does raise a concern, we can take action immediately and ensure that we're not at risk of losing that client relationship or seeing it deteriorate. The insights from these surveys are really comprehensive, they're robust, they're timely and good or bad our relationship managers are acutely interested in hearing exactly what their clients had to say. These surveys enable line leaders like myself to take action in the moment to provide coaching in the moment and at the same time they inform all of us on the strategic opportunities that we have to focus on in order to get to number one in the Bond Survey.

I can't emphasize enough how much our proactive value-added approach to relationship management differentiates us in the marketplace. Overall client feedback tells us that it works and employees like it too because it takes the guess work out of the process and out of their roles. And I can say with confidence that our strength in client loyalty is driving performance and we see that reflected in market share. As I said earlier, we're currently second in commercial lending market share in Atlantic Canada. If you actually drill down into those results, we're number one in the mid-market segment and we're number two in the small business banking segment. And in fact there is less than CAD100 million or 100 basis points separating us from first place overall. So let me tell you a little bit about what we're doing to close that gap.

Our commercial strategy, as Steve said, is to target select industries where we know and we see opportunity. The two I'd like to talk to you about today that we're focusing on in Atlantic Canada are agriculture and healthcare. In 2012, Canadian agriculture generated CAD103.5 billion accounting for 6.7% of Canadian GDP. Employment in most agriculture industries continues to rise and it's one of the largest employers in Atlantic Canada. Approximately 9% is given over to farming in Atlantic and the credit market size is CAD2 billion of which BMO currently holds 14%.

We've traditionally been very strong on the agriculture production side, which includes key crops like potatoes, other vegetables and fruits, and we see the opportunity to achieve a leading position on the supply management side. We've hired a senior leader of agriculture and added additional agrologists in the markets where we see specific opportunity to make sure that we can fully take advantage of it. Clients in this industry see our commitment to their industry, to their business and they have confidence that we have people in roles that can help them succeed.

We're also actively targeting healthcare. Total health care expenditures in Canada during 2013 were approximately CAD211 billion. Hospitals account for the highest healthcare expenditure at 30% of total spending. We see a lot of opportunity across all of Atlantic for the healthcare sector and that's anywhere from physicians to pharmacists to medical clinics or medical office buildings. With the aging population of the region that opportunity is only likely to grow.

Our national industry program team provides us in the region with a regular cadence of leads, opportunities, marketing materials as well as information sessions and training. With the dedicated support of this national healthcare team, we've been able to build our own local network of subject matter experts that allow us to focus on growing share of wallet with existing clients in this sector as well as acquiring new relationships.

These are just two examples of our focus on growth and we're seeing good evidence of progress and I feel confident our strategies are working. We have strong local leadership, we have the right people in the right role and we're well supported by Steve's team.

We've also got a fantastic story to tell in Atlantic Canada with respect to commercial deposit market share. We're currently third in the market, but our year-over-year balance and market share growth is growing faster than any of our competitors. In the last three years, the commercial deposit market in Atlantic has grown by CAD2.5 billion and our team has captured 45% of that growth. How are we doing that? We're targeting many of the deposit rich industries that Steve alluded to in his comments and we're leveraging innovative products that make it easier for customers to bank with us wherever they are. In Atlantic, where we have a relatively small population dispersed over four provinces dominated by a few urban centers and abundance of small rural communities, this is a real competitive advantage.

We recently won a new client relationship with a foundation in Cape Breton, Nova Scotia. This client was traveling 40 minutes in order to make their deposits at a branch. With our new DepositEdge product, our strong online banking for business solutions, the client can now deposit checks, process payroll, manage payables, all from the comfort of his office. The value proposition to the client was clear and a new BMO relationship was born. This is a delivery model and a solution that can assist any business, anywhere, whether it's in Cape Breton, Nova Scotia or the congested market of Downtown Toronto. And I believe that it's a model for the future of banking.

But you still need people to put the right solutions together for clients. Keeping our employees engaged is important and essential to the success of our business. At 89% employee engagements in Atlantic, our scores in Atlantic are among the highest in commercial banking and within the industry. I believe this is because we have the best employee offer in the market. We have strong entry level roles where individuals can come into the commercial bank and learn the business from the ground up. We create our own pool to hire from as employees gain experience and move into customer facing and leadership roles. With BMO, you can have a really long and fulfilling career right in the region like the Atlantic or alternatively if you want to move to another part of the country that transition is seamless as we standardize the roles across the Canadian bank.

We have low turnover because people know with confidence that they can be successful at BMO. And their confidence is only growing as a result of all the investments that we've made in the business to streamline roles, processes, and transition to a new lending platform. This represents a lot of change and our people are adapting well. While we're still early days in our transition, we've already seen about half of the time savings that Steve spoke to. Throughout the process, our employees have remained engaged, they are on-board with our vision and our productivity has remained high. I'm very proud and excited by the changes that we've made to the commercial bank.

So to sum it up, our success is founded on knowing where to focus our growth strategy, understanding our market and our clients through the support of data analytics, having the best and innovative solutions and bringing it all together with engaged employees and execution excellence.

Thank you very much, and Steve, I'll pass it back to you.

Steve Murphy ***- Bank of Montreal - Head, Canadian Commercial Banking***

Thanks very much, Carolyn. So, I hope we painted a clear picture for you of our strong commercial banking franchise and our great momentum. We have four key takeaways that we want to share with you before the break.

First, our Canadian commercial banking business is large and profitable, client relationship management and our targeted priorities are driving our growth, our expert bankers are our core strength and we will sustain the momentum we've built with an all encompassing focus on execution excellence. I am confident we have the right priorities in place to take full advantage of market opportunities today to adjust as they evolve and to seize new opportunities that emerge.

Thank you very much for your attention, and now we're going to take a 10 minute break.

Sharon Haward-Laird ***- Bank of Montreal - Head, Corporate Communications & IR***

Welcome back, everyone. Hope you enjoyed your break. We'll now turn to the next part of our Canadian banking presentations and we'll hear from Ernie Johannson, who is the Head of our Canadian personal banking business.

Ernie Johannson ***- Bank of Montreal - Head, Canadian Personal Banking***

Thanks, Sharon. And good morning everybody. For those of you on the webcast, don't adjust your set. I am Ernie Johannson and I am female. It is a nickname, so I hope you can bear with that. It's a great opportunity to be able to share with you the personal banking business. I have three objectives for our time together. The first is to provide you with a review of the business itself and our results and then get into an overview of what has taken place to revitalize this business and the momentum that we've had. And lastly, to lay out our strategic priorities as we go forward to leverage that renewed foundation and that momentum that I mentioned.

So let's get started. First a quick overview of the business itself. At the BMO Financial Group level, the personal bank represents 25% of earnings and revenue. At the Canadian banking level, we are 65% of revenue and 53% of earnings. Our total market share performance has improved significantly over the past three years and we are at 11.5%. In 2014 alone, we added 11 basis points of market share to our business. With over 7 million customers, we are a key distribution channel for many of our PCG, our wealth colleagues, including our mutual fund business, our Creditor Insurance and InvestorLine as well we provide an incredible referral source to our Private Bank and also Nesbitt Burns.

Let's turn to our financial performance this past year. As I mentioned, we've had momentum. If you look at our performance financially, we've had consistent improvement in both absolute and relative organic revenue growth. In 2013, we were fourth in the industry for revenue growth. In 2014, through 6% achievement on revenue growth, we moved into second position. We achieved this growth while we were improving our efficiency ratio, and as you can see it has been reduced by 130 basis points as a result of effective expense management and also prudent investments in the business.

We've also had leading growth in our balances. In particular, you can see lending has grown by 7% and deposits by 10% ranking us number one and number two, respectively, in the industry. Over the second half of 2014, our lending balance growth slowed as we were taking a more cautious approach on longer term auto loans and also our unsecured lending businesses. This will continue to be reflected in our results and our year-over-year personal loan growth in the first half of 2015. We expect that our mortgage growth overall will be above market as well, and deposit growth we expect that to remain healthy, as we continue to see expansion opportunities in both our product mix and our channels.

Our loan portfolio is well diversified from both a product mix perspective as well as a geographic perspective. 89% of the portfolio is secured and 62% of it is in mortgages. Our auto business is 7% and cards is 6%.

The PCLs in 2014 were at 31 basis points and very well aligned to our overall risk appetite. We have seen consistent year-over-year reductions in our PCLs over the past three years, and this is just a reflection of our prudent growth -- our prudent approach to growth and also the disciplined risk management capabilities that we have in the personal business. On a product-by-product basis looking at our loan PCLs versus our peers, we are consistently lower. Over 60% of our mortgage book is insured and in our uninsured business the average mortgage loan to value is around 58%.

Lastly, the diversification of our book across markets further provides us some stability in times of regional economic fluctuations. Alberta represents 15% of our total loans, of which 90% are secured. Of the mortgage portfolio, 73% of it is insured.

Another key measure of our performance and the strength of our key customer franchise in the business is really the growth of our primary customers. Primary customers hold multiple products with us with high levels of engagement on a daily basis through products such as our checking account. Primary customers generate 3.5 times more revenue than the rest of the customer franchise and they also have stronger loyalty with us.

Over the past year, we have built significant momentum in our customer franchise as a result of this laser focused attention we've been giving to primary customers. We have grown both the absolute number of primary customers in our franchise as well as their share of wallet with us. This past year results demonstrate our ability to generate value from loyalty through the effective customer conversations that we have every day with our customers and through multiple channels. We have increased the absolute number of primary customers to a record high for us at BMO due to this high conversion rate. We've increased our conversion rate by 5 times in 2014 from 2013. As well our share of wallet with primary customers has increased 450 basis points, really closing the gap to number one in terms of share of wallet with primary customers.

So you must be asking what has been driving these results. So let's take a moment to review what has been the underpinning of our growth. As many of you know, the retail business is a complex ecosystem; large employee population, millions of customer interactions across multiple channels and complex products, processes and systems, to drive outcomes with pace requires, as Cam mentioned, a really clear focus and disciplined execution and strong integration.

Our multi-year strategy focused on these three pillars have been really focused on revitalizing the business and the order of execution against each one of these pillars, the initiatives in each one have been in a disciplined manner that build upon one another and putting the three together, creating a compounding effect for the personal business. Our renewed platforms were focused on, first, expanding our product capabilities and growth, which began in mortgages and then shifted over to deposits. We strengthened our customer sales force, the heart of the retail business. And lastly, to enable our strategy, we invested in core technologies that were aligned to our objectives.

So let's start with our product renewal, and specifically with mortgages. Our mortgage strategy has been focused on growing primary customers. We've achieved this growth through both product development and the capabilities builds that we've had both in our branch network as well as with our mobile mortgage specialists. Over the past three years, we've achieved a 10% annual growth rate, while holding our spreads stable. The key catalyst for the success was our launch of the innovative and responsible 25-year 5-year fixed AM product in January of 2012. Leading the market in encouraging Canadians to lock-in on pricing and focus on the shorter AM saved Canadians millions of dollars and provided them peace of mind through certainty of payment.

Our leadership in this mortgage product created strong brand awareness for us as the bank to come to to get a mortgage. And it did indeed, it brought in thousands of customers new to our franchise that became primary with us by buying not just their mortgage, but at least two other products with us. The product also really brought in a customer franchise that had even a higher credit quality than we normally saw. Lastly, during this timeframe, we shifted our mobile commissions -- mortgage specialists sales team to become externally focused bringing new customers into our franchise and today our mortgage specialists are a leading source of new to BMO primary customers.

So having started to build momentum in our mortgage business, we shifted our focus to driving deposits. Over the past three years, we've grown deposits by 6% annually and this year alone 10% of many of our initiatives took full-flight. Our checking and saving account success has really been driven by a combination of successful digital and mass media acquisition campaigns that had valuable offers for Canadians and that optimized our performance of our promotions.

Our targeted programs against key customer segments such as newcomers to Canada and our exclusive banking relationship with the Canadian military through the Canadian defense community really added further growth for us.

Our deposit growth was also stimulated by our sharpened branch team focus on driving primary customers and as well by our lead generation capability which I'll speak to in a moment. Lastly, we expanded our term product sales as a result of expanding channels and also our product mix to grow our term business further.

The next platform of renewal that I will speak to is really how we revitalized our business through our sales forces, and in particular, our sales force productivity. We have focused on three areas, the first being how we strengthen the capabilities of our people. Second, introducing a new sales management structure. And thirdly, building out our performance management capabilities to better align to our new business and our customer objectives.

We started in 2012 with our key relationship general banker role to more effectively ask for the business from our loyal customers and grow share of wallet. To do so required us to retrain 2,300 general bankers to have what we would call holistic financial conversation and that is really about having an offering that they're able to communicate the entire full suite of financial services needs; lending, savings, mortgages, and the more challenging investment conversations.

In late 2013, with that strength in general banker, we made a large scale change to our leadership structure and our performance management system. We eliminated one layer of management. We increased spans of control through 70 Regional Vice Presidents that were dedicated to the personal banking business. And we brought leadership closer to our customers, our branch teams and the market opportunities. Our performance management system was retooled in a number of ways to release management capacity to be more directly coached to outcomes. Our branch performance goals were realigned to create a tighter connection between customer loyalty drivers and revenue. And coaching and management tools were enhanced to increase the line of sight to performance and accountability.

The change was profound and impactful. Andrew will talk more about our sales and service model in his presentation. But let me share the outcomes of the culmination of these changes. As I mentioned, we trained 2,300 general bankers and did so in half the time that we normally did before. We tripled gross mutual fund sales per general banker in this timeframe, a real testament to the growth of what was possible in our mutual fund business. And overall, our general bankers increased their productivity by 7%. Technology was a key underpinning in all of this enabling us to drive our product and our sales force successes, as well as growing share of wallet with our customers.

We built, what I was mentioning before, in our leads capability a really in-depth customer insight and lead generation engine that is key in all of our customer touch points. Our insights and engine are based on sophisticated analytics and data. Our deployment provide sales and service teams as well as our digital channels with relevant and proactive cross-sell opportunities and conversation starters to ensure that we're driving referrals and appointments. Many of you this morning saw that or discussed that at FCP.

In 2014 alone it generated over 700,000 appointments from simple conversation starters that happened either at the teller wicket or in our call centers, a 25% improvement over the year prior. In addition, we sold half a billion product units as a result of offering our customers the right product at the right time and starting great conversations. Ongoing and initial investments that we have placed in our data and leads management capability have typically paid out within 12 months. Secondly, we shifted our retail lending platform. We created what we call a new front door to a very complex lending system. It allowed us to increase or accelerate the time to productivity of our people, particularly new hires, reduce errors and also make the lending experience overall just more intuitive. This was foundational to our mortgage growth and also our sales force productivity.

The next two platforms on this slide speak specifically to what we invested in 2014 that would accelerate our growth moving into this year and I'll talk about them in a minute. I've talked about how we've revitalized the Canadian Personal Banking business, and now it's really time to talk about what are we doing going forward and there is no better place then to start with our brand. Frank gave a great overview of what our brand is and represents. I believe personally that it is extremely powerful, it is very fresh and perhaps more importantly, it's incredibly relevant to both customers and our employees. Our external positioning, we're here to help, it's not a shift for us in personal banking. We have many examples and proof points every day of how our incredible frontline go the distance for our customers. We also have grassroots engagements in our communities to make a difference where we live, a real testament to that positioning. There is a strong connection between who we are as people first, bankers second and the hopes and expectations of Canadians for their banking. This is incredibly differentiating in retail.

So with brand as the filter for our strategy going forward, we have four strategic priorities that align to the Canadian business that Cam mentioned and Steve referenced as well.

First is to continue our strong loyalty with our customers and growth. Particularly we're going to focus in on those primary customers and also with our payments business. Second, we're going to accelerate our digital channels for our customers and also for our employees, ensuring that we have a seamless experience across all of our channels and that this is the clear proof point for our brand. Thirdly, we want to strengthen our high performing sales force even further in support of that customer brand that we talked about and as well as our growth aspirations. And lastly, strong operating disciplines to allow us to make sure that we're growing in a very dynamic market environment and ensuring that we're creating long-term sustainable advantages for us.

So, let's turn to the first of these priorities which is our customer. While we've made significant progress in expanding our primary customer share of wallet over the past year, there remains a clear opportunity between ourselves and the market leader that we plan to close over the medium term. We're well positioned to do so as we've seen from our primary customers who have amazing experiences with us and are ready to give us their business. And perhaps more importantly, our front-line is ready and has never been more prepared to ask for the business to have those great customer conversations.

Our key customers share of wallet growth opportunities are, as Cam mentioned, in mortgages, lending and mutual funds, products that we've seen some growth in already. These are products that require advice conversations and also have larger balances overall. With that improved sales force productivity, we are selectively growing our sales forces in these key specialist areas, in particular financial planners and our mortgage specialists. Multi-channel leads, and that lead engine and insight capability I referred to, are also very important for us moving forward and we're going to continue to expand our data to be able to ensure that we're driving the right conversations and also that we're making choices and credit and pricing optimization disciplines that are really necessary for us to grow share of wallet.

In addition to share of wallet opportunities with our existing customers, we have a great opportunity to better capitalize on the strength that we have in acquiring new customers. In particular, we want to ensure more of them become primary customers with us as quickly as possible. The annual Canadian financial services switching study that you see here on this slide gives us some insight into the market opportunity for new customer acquisition and how well we perform. Annually, there's an estimated 4 million Canadians in the marketplace for purchasing banking services. We rank number one and number two in the industry in the two largest segments, Canadians purchasing additional product outside of their current FI and Canadians who are switching their entire banking relationship. This acquisition strength provides us with the opportunity to improve our on-boarding experience across all our channels and processes that touch new customers.

Payments is a key source of customers for us and it also is important to driving our loyalty and engagement with customers as well as retention. Our growth strategy is to leverage our unique partnerships, expand upon our leading premium franchise as well as ensuring that we leverage strong portfolio management capabilities through the new platform we introduced in 2014, as well we want to participate in emerging payments opportunities.

So let's start with partnerships. Partnerships provide us with a unique customer value proposition and rewards. Rewards continue to be a strong driver of credit card acquisition and usage decisions every day. It will also further drive the decisions on e-wallet selection. We are MasterCard's number one issuer in Canada and the leading issuer of Canada's premier loyalty program AIR MILES. As Cam mentioned, two-thirds of Canadian households have the AIR MILES product and every minute of every day 1,000 Canadians are swiping their blue card with AIR MILES. It's not surprising that they also redeem 9 million awards every year. It's not surprising that this is one of the high -- this is the highest loyalty rating program in Canada for rewards and has top of mind awareness. Sobeys and Shell are also issuers of the program and are number two and number three in the AIR MILES program. We also provide their credit cards. So the combination of our common payment vehicle and our loyalty program creates a formidable customer value proposition and a customer base for us to mine.

Recently, given the opportunities that market disruption has created, we've aggressively focused on growing our award winning World Elite product. Our total accounts in 2014 grew by over 200%, a combination of both our marketing and our sales force engagement. Moving forward, we continue to see opportunities to expand new to BMO customers through this offering as well as cross selling within our own franchise and in particular with our wealth management colleagues.

Our new cards platform accelerates our portfolio management capabilities and allows us to more effectively address the changing interchange market. We now have expanded rewards program and product functionality and also pricing and credit management disciplines as a result of this platform which will allow us to balance the customer value proposition as well as our profitability.

Lastly, this technology allows us to readily participate in emerging e-payment capabilities such as e-wallets in both proprietary and industry solutions because there is foundational elements in that product such as tokenization that we can leverage immediately.

Digital payments is not new to BMO. In 2011 we launched what we would call our mobile tags. You've probably seen many of us with these and you probably saw them outside in our tech group. This is the first evolution of digital payments in the marketplace and we have an enormous engagement level with our customers because it's simple and it's flexible. We also were the first this year to launch MasterPass in Canada. That's an e-wallet capability that allows online shopping to be faster and safe by storing a customer's payment and shipping information in one convenient and secure location. Last quarter we doubled the number of customers who were engaged in this offering as well as our MasterPass over the past quarters have doubled quarter over quarter. We believe success in these kinds of emerging payment capabilities is all about customer adoption. Our approach will be to ensure that we participate in digital payment evolutions that align both stabilized technology with the consumers' ability to use it and the simplicity of the offering. As such, we believe we will continue to explore industry and proprietary solutions. We also have a unique opportunity here in Canadian Banking to learn from our US colleagues at BMO Harris as they participate in Apple Pay.

Our second priority for growth is accelerating our digital channel. As Cam mentioned, our channel strategy is to focus specifically on expanding mobile capabilities. While there will always be optimization around our branch placement and renovations of our branches such as you saw this morning at FCP, we're very comfortable with the size and the very nature of our network.

As we turn to our leading digital platform capabilities and our strategy moving forward, it's important to reflect on what we accomplished in 2014, which was significant, in terms of advancing our capabilities and our customers' abilities to use those. So we were first in the industry to launch what we call responsive design platform. This allows our customers to access the wealth of BMO's rich content on any platform they hold any time they like. Responsive design in digital interface is the ability for us -- or the flexibility for us -- to scale and size the experience, collapse content to fit any device, whether it be your mobile, your iPad, or your online screen so that we're speaking to customers on their terms and when they need us.

We launched our new mobile app, as Cam mentioned, with both success from the industry and from customers. We are number two or number one across our various mobile digital providers in terms of its app's functionality. Forrester, who rates this on an ongoing basis, ranked us as number two in the industry. Recently, we integrated our Everyday Banking in InvestorLine App. Hopefully, you saw that this morning outside, which provides our customers with the ability to seamlessly transition between everyday banking and investing. The launch was a clear proof point of our brand and is the number one integrated Apple iPad app and it has been acknowledged best-in-class for personal financial management. The app provides us with the opportunity to cross-sell more efficiently and effectively between the product lines, which you'll hear more about I'm sure from Julie this afternoon. The principles of ensuring the digital experience as intuitive and connected to other channels is really foundational for our strategy moving forward.

In 2013, we led the market with online branch appointment booking capabilities on our online site that is now integrated across all of our digital channels. Appointment bookings continue to grow; we’re up 45% year-over-year as we streamlined our public sites and improved the customer experience and conversion rates.

Our strategy moving forward is to continue that, to increase that digital adoption, lead in digital sales and create momentum in our channel usage. In terms of our digital engagement, Cam mentioned, we've already had over 4 million downloads of our new app. We'll continue to drive that adoption through our branch teams, introducing more of our customers to new digital capabilities, particularly through our on-boarding process. We view digital channels as our ninth virtual division, providing significant growth and ongoing sales volumes. Currently, we're ranked number two in the industry in terms of digital originations. As Cam mentioned, we're going to double that over the medium term.

Creating momentum in our channel usage is all about adding relevant customer functionality to release sales capacity in our call centers, in particular. To date, we've increased the proportion of our service transactions happening through digital, allowing our call centers to focus on higher-value transactions. Recently, in November, we launched the ability for customers, particularly snowbirds, to easily transfer funds between their Canadian BMO account to their US BMO Harris account, providing the first integrated cross-border capability.

As our digital functionality increases for customers, the nature of our customer conversations in the branch and in our call centers is shifting. Service issues are becoming more complex and there is a higher level of expectation and demand for increased advice and guidance in our conversations. Key to addressing that elevated customer expectation is the strength of our people. There is no better way to understand our people strategy than to hear it directly from one of our division heads who leads the largest team in personal banking and I'll turn it over to Andrew now.

Andrew Auerbach ***- Bank of Montreal - SVP, Greater Toronto Division***

Well, good morning, everybody. Thank you very much, Ernie. It's a great pleasure to be here and represent the divisional perspective. I've been with BMO for 15 years, mostly in Wealth Management. I assumed this role in 2012 and what I'd like to do in our time together is take the strategy that Ernie has articulated and describe how it comes to life in our local markets.

So let me first start by describing the GTA market. GTA is a highly attractive market. Many of you likely live in this market given the size of the population and also the continued population growth that exists here. It's the largest division in Canada as you've heard amongst our eight divisions and my team consists of 2,300 people who work in personal, commercial and financial planning. The market is unique with the significant concentration of the geography as well as the significant household income growth that we enjoy in GTA.

We have tremendous diversity in the GTA with a mix of suburban and urban markets as well as a broad range of customers that include newcomers to Canada, small business owners and a high concentration of high net worth and ultra-high net worth families. We also have very strong partnerships here with our internal partners that include commercial, corporate finance, wealth and the customer contact centers, all being located in the market.

We're the face of the Company to our customers and our job is to ensure that we're providing our customers with solutions that reach across BMO. The Greater Toronto division continues to have strong balance growth momentum with a leadership team that has deep sales disciplines and a consistent track record of performance. Ernie and Steve like to remind me weekly, daily, sometimes hourly, about the Battle of Ontario and we're very proud of the strong balanced growth we enjoyed last year; 12% balance growth in commercial and 9% balance growth in our personal business.

The sales model that Ernie has described has had a profound impact on our success in 2014. We have a leaner, more productive structure for our branches. The sales model changes and the redefining of our front-line leadership roles has shifted our focus into our community with our branch managers and our regional Vice Presidents truly being the leaders within their markets. All of the roles on our team align to provide a great customer experience in the most streamlined way possible. The channels and the partners all work together. Our branch teams partner across the bank to ensure that our customers are getting the right solution to meet their full financial needs. Within the branch, the roles that you see here all work closely together to ensure that customers are getting a great experience.

As you've heard, we are very focused on our employee experience. We want to continually build on a highly engaged team. This is a very competitive market and we know that engaged teams stay for the long term and most importantly are passionate at looking after our customers extremely well. We measure our employee engagement annually and we compare ourselves not just to financial institutions but to exemplar companies in other industries. Our employee engagement score last year was 85%, which is relatively high within the Company and almost 10% higher than other financial institutions. Equally important, the engagement has improved year-over-year over the past four years based on a strong commitment to adopt changes based on the feedback of our teams.

Managing our employee talent is also a top priority. We have structured performance and career conversations, and we invest significant time in talent profiles that outline specific capabilities as well as career aspirations. Our teams are truly energized by the brand. Employees at every level feel empowered and engaged to deliver a great experience to our customers. The brand is straightforward and has really tapped into the collective purpose of all of our employees. Employees co-created many of the brand messages and there's a ground swell of pride in its development.

I'd like to talk a little bit about the market expansion in GTA. Working collaboratively with Ernie's team, we've made targeted investments in increasing resources. Cam's leadership team consists of field and center leaders, and we work as one team to determine where the best investments in people can occur. We've made significant investments in growing our teams in GTA. We've seen improved productivity in our sales force and we're making investments where we have the highest growth opportunities. In our market, this includes expanding our financial planners, adding FSMs, financial services managers, in high-opportunity branches and increasing our mobile mortgage specialist presence by about 25%.

We also continually assess and invest in our branch network. Each year, we renovate many of our critical branches. I'm delighted you had the opportunity to tour First Canadian Place branch this morning. We also opened new branches in growing markets. For example, we've recently opened in King City and in Brampton.

In terms of capacity, there is a lot of work underway with Ernie's team and here in the market to accelerate the speed to productivity for new hires. The recruiting and the training of our employees has been streamlined in order to expedite the filling of vacancies with high-quality individuals. We've also centralized the hiring of our front-line roles and we're continuously improving the training programs. A wonderful symbol of our commitment to training is our award-winning world-class learning facility in Toronto called the Institute for Learning which last year celebrated its 20th anniversary. Investments in technology have also been delivered to the sales teams. This includes a new lending platform. These new platforms enable us to train new employees faster and enable more efficient change adoption in the future as policies and procedures are increasingly automated.

There's also work underway to evolve our digitization capabilities and move toward a paperless branch. This will bring big gains in productivity as well as in our customer and employee experience.

Our teams are really excited about the progress with the digital capabilities as well and it's shaping our relationship and conversation with our customers. There is immense pride in our mobile app and there's focus on ensuring that our customers leave appointments aware of these great tools.

In fact, we're now measuring the digital activation of customers on the branch scorecard. So far in 2015, we've digitally activated in GTA 6,000 customers, which means that these are customers that have been newly registered on bmo.com or on our mobile app.

You've heard from Ernie about the importance of leads generation and we continue to increase our focus on generating and acting on customer leads. As our customer patterns evolve, this is a critical channel for us to be proactive and fill our calendars with appointments. The branches are receiving relevant effective leads that enable proactive contact to continue to build primary customers.

We monitor our leads activities to drive consistent customer outreach by our employees. I'll give you one example. Our recent outreach activity ahead of the investments season generated over 12,000 appointments in the GTA in one week alone.

In 2014, we generated significant activities through this proactive outreach. Our customer service representatives used these leads to make 2 million additional suggestions to customers in GTA and 900,000 times, customers agreed to them. Our Financial Services managers used these leads 250,000 times last year and our customers agreed to the suggestions 150,000 times.

It highlights the ongoing evolution of our sales teams in being more proactive and providing guidance to our customers. It's also noteworthy that our customer contact center booked 18,000 appointments in GTA in our branches and customers booked 6,000 appointments directly on bmo.com. There is consistency in our sales activities across the country and within each branch that rolls up to the branch manager, the regional Vice President and ultimately to my role. Every day, there's a team huddle in every branch to plan the day. In addition, appointments are previewed with the manager to ensure that we're well prepared for our customers when they come to see us. And managers are also observing their teams and side-by-side interactions and providing real-time coaching and feedback. Ernie's team has developed a scorecard, which allows the front line at all levels to measure their activities and coach to their results each week. The scorecard is a system. It contains the targets and results right down to an individual level. Our sales teams love the scorecard and it's a tremendous tool to ensure strong and disciplined execution week after week throughout the year.

Within this scorecard, we're also measuring complete conversations with our customers to make sure that we're meeting all of our customers' financial needs. Targets in a branch are set at the beginning of the year and they're based on local market opportunity. Each leader has created a market-level plan for their branches and that includes milestones that will enable the targets to be met. It's embedded within our coaching tool and also attached with very specific sales plays that link to these market plans. We continue to also have a very strong focus on customer loyalty and our plans always include actions to respond to the feedback of our customers, gained through the Net Promoter Score surveys.

In conclusion, this is the most exciting time that I've experienced at BMO. The teams are executing extremely well. We're all very energized by the brands and by our ambitions.

I'd now like to turn the podium back to Ernie. Thank you.

Ernie Johannson ***- Bank of Montreal - Head, Canadian Personal Banking***

Thanks, Andrew. Let's spend a few moments on our fourth priority, which really speaks to how we run the personal banking business. Our segment-led organizing structure that Cam mentioned provides us with an opportunity to create clear focus on both strategy and execution. It also allows us to shift and reallocate resources necessary for us to deliver the business outcomes in the changing environment that we live in. And it also ensures that we have consistency in the customer and the employee experience. It also allows us to leverage insights on customers and our products in a way that will drive pricing optimization and credit optimization decisions at a customer level rather than at a product level which is really key for us to continue to drive share of wallet.

Our process management is key to many parts of our strategy, but in particular, our employee and our customer objectives. We continue to refine our processes through the brand lens and in particular, advancing our digitization infrastructure to ensure that we're going to have end-to-end fulfillment of products and services as well as eliminating paper in our branches.

Our strong risk management capabilities will continue to be a key component of our operating disciplines, ensuring that risk-reward optimization takes place. Our growth is stable, as well we're maintaining our strong controls in our business. These operating disciplines are foundational for a strategy execution and our medium-term objectives.

In terms of our medium-term objectives, we are focused on these four priorities. In particular, we will grow primary customers on an annual basis by 4% to 5%. We will double our digital sales to 14% in the medium term. We're also going to improve our sales force productivity each year between 3% and 5% and as a result of strong operating principles and expense management, we will be looking at approximately 100 basis points improvement in our productivity ratio every year.

I want to leave you with a few closing thoughts. We have revitalized the Personal Canadian business and we have momentum. Our opportunities are very clear to us; continue to grow primary customers, drive our payments business, accelerate our digital channels.

Our highly engaged and passionate teams know specifically what they need to do and how to be successful. It really is an exciting time to be part of the personal banking business. It's been a pleasure to speak with you this morning. Look forward to your questions. I'll now turn over the meeting to Cam. Thank you.

QUESTION AND ANSWER

Cam Fowler ***- Bank of Montreal - Group Head, Canadian Personal and Commercial Banking***

Okay, let's change gears. I think we're ready to take questions. Why doesn't the team come up and join? So I think what we'll do here is I'll act as coordinator for the questions. If you can raise your hand, a microphone will be brought to you; if you can introduce yourself at the start and we'll take your questions from there. Okay.

Jason Bilodeau - Macquarie Capital Markets - Analyst

Thank you. Jason Bilodeau, Macquarie Capital Markets. I think the first one will be for Steve back on slide 32 break down the commercial loan book. What I'm interested in is how do you think about the ultimate source of risk in that book, specifically Western Canada, not direct energy lending but lending to the secondary industries and infrastructure that supports the energy patch? You know, a small machine shop that does a bunch of work for E&P guys. Would that risk get captured in your energy book or is it dispersed throughout the rest?

Steve Murphy - Bank of Montreal - Head, Canadian Commercial Banking

So what would happen in that particular case, if they're a sort of down in terms of the supply chain if we would put it like that. We're looking at that portfolio very closely. We're monitoring it weekly insofar as just what's happening with the portfolio. What we found is that in that particular marketplace, the portfolio is actually still performing very well and many of these companies have had the capacity and some of the staying power to still stay very strong but of course we are watching it on a regular basis to stay on top of it.

Jason Bilodeau - Macquarie Capital Markets - Analyst

Just a little bit more colour. You said geographically your commercial book is pretty dispersed. Does that mean it's in proportion to relative economic contribution of Western Canada?

Steve Murphy - Bank of Montreal - Head, Canadian Commercial Banking

That's right. There would not be an over indexation say in Alberta or Saskatchewan. The geographic dispersion is pretty even relative to what we'd have say on the personal business.

Jason Bilodeau - Macquarie Capital Markets - Analyst

Another one I think for Ernie and Cam on the technology, a lot of great products rolling out, a lot of great statistics on adoption, et cetera, I'm curious do you think these type of platforms are a viable competitive advantage for a bank or is this now becoming table stakes, that everybody has to have this stuff to be there or do you think you can really change gear and take customers because of your technology?

Cam Fowler - Bank of Montreal - Group Head, Canadian Personal and Commercial Banking

Yes, I'll take that one, Jason. Thanks. I think it's both, but if played well, it's a competitive advantage, for sure. I think it depends on your outlook for the role of each channel. I've said and we've said we believe pretty strongly that the core of the branch will always be there and increasingly become important for acquisition and advice based sales. But the way in which you're able to integrate the channels, so it's a consistent branding experience across all, is where I think there's an opportunity to take share. There will be a few places where the opportunity is greater than others, but I think for an organization like ours, with our physical distribution set up the way it is, being optimized as it is and moving as quickly as we are on mobile adoption specifically, I would say for us, it's more of the latter. We see it as an advantage. Thanks. Okay, next question? We've got one here and one here.

Steve Theriault - Bank of America/Merrill Lynch - Analyst

Thanks very much. Steve Theriault from Bank of America Merrill Lynch. For Ernie maybe, number one, number two in revenues, loans, and deposits, pretty exceptional, but also hearing you're being a bit more cautious on auto lending and unsecured. So a couple of questions against that backdrop. Being more cautious, does that make it too difficult to repeat number one, number two, next year and why being more cautious in those two particular assignments?

Ernie Johannson - Bank of Montreal - Head, Canadian Personal Banking

Great. Thanks for the question, Steve. A comment on the unsecured book in terms of the auto lending. We made a conscious choice to be able to reduce our exposure around the longer AM products, as well as in our unsecured lending. That will take place, that slowdown that we had will manifest itself in the first half of this year. We do see a pickup happening towards the latter part to return back to our normal levels, that was a choice that we made in our portfolio mix at the time, but we're encouraged by what we're seeing right now in terms of our growth and where we have the diversification in the portfolio.

Cam Fowler - Bank of Montreal - Group Head, Canadian Personal and Commercial Banking

If I might just add, Steve, your question was really about relative performance. So the market's going to do what the market's going to do. What we're focused on is the foundation we have now and your question was do you think you can stay out towards the front? And I think you can.

I think over here first and then over to John.

Sumit Malhotra - Scotia Capital Markets - Analyst

Sumit Malhotra, Scotia Capital. I'll direct this to you, Cam, and it's specifically about interest rate sensitivity. I think it's fair to say, part of the success that the bank had or that your segment had in terms of revenue growth last year was that the net interest margin trend was much more stable than we've seen in previous years. Now, as of late, we've heard a lot about cuts on the short end of the curve. You talked about the special program you're running in small business. Fixed-rate mortgages have come down. Are we thinking too much about the asset side of the business and not considering the improvement on your funding? And I guess I'd put this bigger picture, how would you think about your revenue outlook in the face of what we're seeing interest rate wise in the last little while?

Cam Fowler - Bank of Montreal - Group Head, Canadian Personal and Commercial Banking

Yes. Thanks for the question. On the NIM point specifically, we are today where we were a little bit before. I'm expecting stable NIM through the course of the year. Now, there might be some ups and downs, but at the margin, it will be stable. With respect to our revenue performance, we still feel that there is a strong opportunity. The expectation is at the back half of the year, if you believe economic expectations as I do, will be a little bit stronger than the first, but I think mid-single digits is still the place where we'd like to be.

Sumit Malhotra - Scotia Capital Markets - Analyst

And just to be clear on that, so even with this change in asset yields, your net interest margin view hasn't changed that much.

Cam Fowler ***- Bank of Montreal - Group Head, Canadian Personal and Commercial Banking***

Correct.

Sumit Malhotra ***- Scotia Capital Markets - Analyst***

Why is that? Is it your funding? Is it deposit success? Just kind of --

Cam Fowler - Bank of Montreal - Group Head, Canadian Personal and Commercial Banking

Sumit, it's a mix of things that we've been focused on. I think one would be growing strength in products such as payments; another, I think Ernie and Steve did a good job of emphasizing how well we've done on the deposit side. And then, we're always conscious of ensuring that we're in a competitive position on the pricing side. So there's a few contributors. I think we're coming over to John here.

John Aiken - Barclays Capital - Analyst

John Aiken, Barclays. Ernie, wanted to touch upon something you highlighted in your presentation. Your team did a very good job when we went through the branch tour talking about how agnostic the branches are in terms of cross-selling to the various different regions within the bank. But you touched upon the cross-border opportunity that you had with the US and that's something that is reasonably unique for Bank Montreal in terms of being able to do the North American personal and Commercial Banking side. Are there regulatory and technological hurdles still for making that cross border for somebody who is based is the GTA like myself being able to do banking down in the US? How big an opportunity is this and how is that incented like it is for within the Canadian operations?

Ernie Johannson - Bank of Montreal - Head, Canadian Personal Banking

Thanks for the question. In terms of the opportunity, obviously, there's snowbirds as well as folks that are moving back and forth between the two countries. We have a great relationship with our BMO Harris colleagues. So the first approach is always to make the referral over to our colleagues and to overcome the obstacles of any technological capability. I think what we've built recently is getting at some of the core foundational elements of what a Canadian who is going down south for long extended stays needs, which is the transferability of funds and being able to enable that has been key in our strategy as well as I think this morning, many of you would have heard the conversation around how do we just take a customer and refer them entirely and that guided relationship transfer that warm transfer facilitates a better customer experience on both ends, we're fulfilling their needs on both sides of the equation.

Cam Fowler - Bank of Montreal - Group Head, Canadian Personal and Commercial Banking

John, I'll just add a couple of things. I think your specific point was are there regulatory problems and I think the way we view the opportunity is less about the regulatory challenges and more getting ourselves organized organizationally to behave as though the border isn't there so that we can behave the way our customers do and that manifests itself in a few ways around here, but the most important one is the North American mandates in a few of those key jobs where you need to be able to set up north-south infrastructure. So Steven Wooters in the front row here has a North American retail cards mandate, his job is to ensure that the border is not getting the way of our customers' experience. Andrew Irvine, the next one over, is on the commercial card and treasury - a huge opportunity for us for our clients who are working both sides. So less about the regulatory obstacles, more about the organizational ones that you need to get over and mobilize quickly and I think we've done a good job on those. That's why we're so bullish on the opportunity. So we've got one here and then --

Darko Mihelic ***- RBC Capital Markets - Analyst***

My turn?

Cam Fowler ***- Bank of Montreal - Group Head, Canadian Personal and Commercial Banking***

Yes.

Darko Mihelic ***- RBC Capital Markets - Analyst***

It's Darko from RBC. I'm going to ask you a couple of unfair questions in light of your --

Cam Fowler ***- Bank of Montreal - Group Head, Canadian Personal and Commercial Banking***

And then some fair ones also?

Darko Mihelic - RBC Capital Markets - Analyst

Well, we'll see at the end, depending on the answer. In light of your answer to Sumit’s question about your sensitivities and your NIM outlook, and in thinking about Bank of Montreal, the whole -- I can remember the 2.99 mortgage offering and thinking about the chitter chatter and noise that made. So the question then is why didn't we take the opportunity here to cut prime by 25 after all the other banks did 15? And then, secondary to that is, what if there's another cut? So the question I guess is what is the impact to your NIM outlook if you have to cut again, and again why didn't you take the opportunity here to be different and make a splash and call yourself out?

Cam Fowler - Bank of Montreal - Group Head, Canadian Personal and Commercial Banking

Okay. So what’s unfair, number one or two? The first thing is with respect to the move like I don't know if anyone in this room called it, I don't know of anyone who called it. So it was a bit of a surprise. We're clear on what the objective of the exercise was, business growth, job creation, et cetera. The overnight rate is one of the things that we think about in all of these things. We have our own cost of funds. We have the competitive environment, we have macroeconomic, we have all of these things to consider. So when this particular move happened, as quickly as it happened, we did our work to give consideration to the balanced response here, which is jobs and business growth and consumer leverage, and we did that assessment and we landed at a spot that we landed at, which you're familiar with and we think it's appropriate for now. So that's point number one, that's how we handle that topic. We don't make these moves to make a splash, we make these moves to run the business well and support our clients. If the rate moves again, I think we'll do the exact same thing which is step back and reflect on the balanced approach and we'll act accordingly.

Robert Sedran CIBC World Markets - Analyst

I'll ask easier ones. Robert Sedran, CIBC. So the question on the role of the branch and how the branch transformation is happening. I may have misunderstood, but it seemed like a lot of that discussion was in the past tense in terms of it's already done. Can you give us a sense of how far along the branch network you are in these transformations? How much that spending is happening now? How much is still to come in the future?

Cam Fowler ***- Bank of Montreal - Group Head, Canadian Personal and Commercial Banking***

Great question. It's not done. I don't actually think it will ever be done because we are going to learn as we go in terms of consumer behavior and adoption. And remember, the way these things have worked through time, I was talking to someone in the room, I can't remember who it was who was there when the first ATM was opened, that was going to be the end of branches and then contact centers came along. That was going to be the end of branches. I think we learned when online banking came along that it wasn't going to be the end of branches and we've learned now that mobile and tablet aren't going to be the end of branches because every single one of these has been an end. What is different though is the relationship between the branch and the digital network and we're going to learn as we go on this. We've put a line in the sand on a few things, which is if you're going to have a branch, make sure it's in a good spot. If you're going to have a branch, make sure it's set up as tailored as possible for the market in which you're participating. And another point is they don't need to be as big as they used to be.

And the fourth thing is find a way to bring the whole company under one roof. You saw it downstairs. Where possible, where required to bring it under one roof. We're using those principles right now and it's working. Our stats in 2014, to use an example, we're being very steady about how we're going through this. We don't -- because there are so many things to be focused on, now is not the time to be erratic on the capital side of branches, I don't think. But we are -- I think we opened eight or nine in 2014, we closed seven or eight, we renovated probably 50, and relocated seven or eight or nine, in that range. I would say that is about where we've been in the last couple of years. Sometimes, we go a bit up; and sometimes, we go a bit down, but just as we're really disciplined on where we're putting our next resource in terms of customer-facing, client-facing role, we're as data driven and clear on where the next branch goes or gets moved or gets adjusted in terms of size. So I think the specific answer is we won't ever be done.

Robert Sedran ***- CIBC World Markets - Analyst***

So we should think of this as maintenance spending, not really kind of something that will fall off and we're thinking about those productivity improvements that you're talking about, it comes down to these expenses are just a run rate number that are going to be there as far as the eye can see?

Cam Fowler ***- Bank of Montreal - Group Head, Canadian Personal and Commercial Banking***

There will be a number that will be there for as long as I can see, but remember the numbers I was quoting, for example, on the smaller format, 15% or 16% more efficient, more revenue per square foot, lower capital costs. So the nature of the number will change through time as customer behavior does, but it's going to be in there because the branch will always be important.

Robert Sedran ***- CIBC World Markets - Analyst***

Okay. Just a quick question on the payment system. I was interested to hear that it's a North American mandate that's being run. I'm curious if you can talk a little bit about the threat versus opportunity I guess of a market disruptor. It seems like perhaps the threat of disruption isn't as large as we might have thought it was a couple of years ago and that Apple Pay feels more like a collaborative thing with the financial system. Wondering if that experience is different in the US versus Canada as well.

Cam Fowler ***- Bank of Montreal - Group Head, Canadian Personal and Commercial Banking***

I don't think it should be considered as a different threat north or south of the border or anywhere else, first of all. Our number one priority in the Payments business is doing a fantastic job with the core platform in the core business. We did do two things in 2014, which is get the new platform in so that we'd have consistency between Canada and the US in corporate, so one platform. We have a major provider that supports us in all -- we have a network partner that supports us in all of those and ensures that we're running that platform well and efficiently north and south. Priority two was pushing very, very hard on the premium segment, because we have very loyal customers who should be with us in this segment and so we emphasize that.

I think the stats you heard, 300% increase in origination, double the book, et cetera. We think about payments disruption as a real thing. But for the next five years, the core of our payments revenue and loyalty and growth will come from the main book. We don't think about it north and south differently. We think about it as a unified threat and opportunity.

With respect to Apple Pay specifically, I'm a bit where you are, this is something that we need to be mindful of, it will be one part of what our digital payments approach will be. You saw the tag. You know that we're in MasterPass, we will be in other shared digital ventures that are good for our clients. But we're totally guided by what our customers want. If our customers are ready to be partially hooked up with Apple Pay because it's the way they want to move and it's the device they use, then we'll be there. We're there in the US as you know and they'll need to make a decision about how they want to participate in Canada and where the customers want, we'll be there.

Meny Grauman *- Cormark Securities - Analyst*

Meny Grauman, Cormark Securities. Just a question about the rate cuts again, I'm just wondering what kind of client feedback conversations you've had so far, what are you hearing from your customers in terms of that 15 basis point move. Is that something that needs to be explained to customers? And looking forward, is this rate cut something that you believe is going to change your outlook in terms of demand for loans, specifically mortgages as we head into the spring housing season? And just as a follow-on question in terms of that 15 basis point move and your overall view in terms of risk to the system, the housing market in particular, is it your view that these types of rate cuts are adding an element of risk that you view as unhelpful? But is it something that -- are these kinds of rate cuts something that you're worried about in terms of the additional risk to the housing market as you see them?

Cam Fowler *- Bank of Montreal - Group Head, Canadian Personal and Commercial Banking*

Okay. I know I remember your first and your third question and I've forgotten the second. So I'll start with the first. There's very little interaction going on on the customer client side in terms of feedback on the moves. You can imagine between -- it's a different kind of a conversation between a retail customer, maybe a core commercial customer and more on the corporate finance upper end. I think on the core and upper end, people understand what's going on. We're very close given the economic environment, and very close to our clients and these conversations are happening daily through our branch and social listening which we do all day to all night all the time. There's very little chatter.

Skipping to the third question, I can comment on the market, I can't comment on what the others will do. Our own housing portfolio is one that's very stable, highly secured, highly fixed, well-balanced geographically and a large portion of this is in 25 year AM, which is exactly where we would like it to be. Our approach to the market as we move into that season will be consistent with what we've done in the past. Will the recent changes affect the pricing that's out there? You can see from moves by competitors that it already has. Ours will be focused on the 25-year, not the number associated with the 25-year. But we will be out there and we'll be competitive.

Meny Grauman *- Cormark Securities - Analyst*

And then, just filling in the second question, just in terms of your outlook for demand, does what happened last week changed your view of loan demand, mortgage demand?

Cam Fowler *- Bank of Montreal - Group Head, Canadian Personal and Commercial Banking*

I think it will remain to be seen. It's not going to slow it down and my hope is that everyone out there is taking a responsible approach to it, that's on the residential side. On the commercial side, I really hope it does just that, I expect it will and we're feeling well positioned on that side. And in particular, we feel like we have more to do in the micro and small business segment and we're really committed to helping live up to the spirit of the rate change on that side and do everything possible for new small businesses. So that's why we're out with the offer that Steve mentioned.

Okay. Was there one over here or just straight over to Sumit?

Frank Techar *- Bank of Montreal - COO*

Can I just jump in just for a minute, Meny, just on your third question about the impact that the rates are going to have on the market, just a couple of things. I mean the Governor was pretty clear about saying he made the move because he was trying to weigh the risk to consumers and businesses with the energy price decline. And when we were evaluating what to do, we were taking that balanced approach and I think Cam is right, we'll see what happens. I mean we'll see what the market brings, but the point I really want to make is that we also have tools that we use all the time to mitigate the risk of too much exuberance with respect to consumer indebtedness. And you heard Ernie talk about the fact that we've been cautious in a couple of places and we've done that over the last three or four years on a number of occasions. So it's not like this is just going to happen to all of us without our ability to intervene. And I just want to make that point, the Governor made the move, we'll see how the market reacts, we're early into it, but we have controls. We're going to be prudent in our underwriting as we move forward and our expectation is the quality of the portfolio is not going to deteriorate over time.

Cam Fowler ***- Bank of Montreal - Group Head, Canadian Personal and Commercial Banking***

Sumit.

Sumit Malhotra ***- Scotia Capital Markets - Analyst***

Sumit Malhotra, Scotia Capital. You've talked a lot about what you want to do with alternative channels and doubling digital sales, there are some cost savings associated with that. What you haven't mentioned too much about is security. And again, just like there's been more disruptive technology in the US, I think we've also heard more about high-profile security breaches in the banking system in the US. I don't know how specific you can get here, but can you talk to us a little bit about how you're thinking about security as you push more into digital channels and what the spend is there, especially related to some of the savings you've discussed more fullsomely?

Cam Fowler ***- Bank of Montreal - Group Head, Canadian Personal and Commercial Banking***

Thanks for the question. A good one. This is top of the house and top of the list in consideration for us. And I would suffice it to say that we feel confident that through Board and senior management engagement on the topic, we have an appropriate budget and focus, and more importantly perhaps the most important partners at our side to help make sure that we are as safe as we possibly can be. It is a consideration that is part and parcel of every decision we make on the digital channel side and on the infrastructure side. I feel that we're handling it appropriately.

Sumit Malhotra - Scotia Capital Markets - Analyst

And one more while I'm here. It seems like it's something we don't talk about too much even though we've had five or six straight years of improvement in the credit cycle. So we know what's happened in the energy sector, GDP growth is slower. What's the risk that we're overlooking and again, we haven't talked about it much this morning the fact that loan losses have bottomed and it's a risk to many different parts of the portfolio, especially at a time where you yourself were saying that revenue growth is almost certainly going to slow. Is there any early warning signs you're seeing in parts of your portfolio that lead you to believe that a more pronounced credit cycle is a risk here and I say that sitting right behind the Chief Risk Officer.

Cam Fowler ***- Bank of Montreal - Group Head, Canadian Personal and Commercial Banking***

No, he's staring right at me with these amazing eyes. I'm going to start talking and he is going to grab the mike.

Surjit Rajpal ***- BMO Financial Group - Chief Risk Officer***

Maybe I should give this to you.

Cam Fowler ***- Bank of Montreal - Group Head, Canadian Personal and Commercial Banking***

I'll say, the specific answer is, no, we've not seen any early signs of deterioration, we are watching very closely. I think we've used Alberta as an example. We're pretty balanced, it's in the range of 15% of our personal and commercial book on the mortgage side. And it's actually a similar number on the credit card and retail card side, and that's a portfolio that performed very well, actually ahead of most of the nation in good times and it actually performs well in difficult cycles. So, I can't predict the future, I couldn't have predicted last week and this really, but we are on top of this one. We feel very confident in our underwriting standards and there are no early signs as of yet.

We've got about two minutes left for fair and unfair questions. One over here.

Unidentified Audience Member

Just one over here. Thank you.

Cam Fowler ***- Bank of Montreal - Group Head, Canadian Personal and Commercial Banking***

Okay.

Unidentified Audience Member

I think mine is going to be fair. There are three parts to it.

Cam Fowler ***- Bank of Montreal - Group Head, Canadian Personal and Commercial Banking***

I've demonstrated I can only handle two

Unidentified Audience Member

There was lots of background, there was lots of conversation in the branch and in the presentations about customer prompts and guided conversations and that kind of thing. So the first of the three questions is to me, that sounds a lot like when I buy something online and it says, the algorithms says, people that buy this also buy that. Is that fair that you're kind of -- it's algorithmic, there's algorithms in the background driving suggestions to the front line staff.

Cam Fowler ***- Bank of Montreal - Group Head, Canadian Personal and Commercial Banking***

Yes, we use data to drive insights and we add the human element in these sets of conversations you're describing, which we hope come across as tailored appropriate conversations.

Unidentified Audience Member

Great. Okay. So the two I guess real questions then. One is what impact does that have on the frontline staff? Does that change how you hire because they're now having a more guided experience in their job as opposed to dealing with intuition? Has there been a turnover impact, that kind of thing?

Ernie Johannson - Bank of Montreal - Head, Canadian Personal Banking

I can start, Andrew, and Carolyn, if you want to weigh in as well, I would say our leads engine what I call is providing centralized intelligence to our field. The field make it brilliant, they decide in the moment, are you ready to have this conversation, how should I frame this in the conversation? And then, they are trained to be very empathetic, they live the brand and then they frame it in the conversation for its relevancy. I think that's the power of the system. Otherwise, we're going to become robotic and so for us, it's the power of centralized intelligence with localized brilliance, that's our power play with our lead capability and I would say we've been phenomenally successful in the space, because we've brought the two together at the same time. We trained our people how to have holistic financial conversations, how to have a great conversation. We measure it through our NPS system, the host system is aligned for this to really work well from a customer experience and a revenue generation and our share of wallet aspirations.

Andrew Auerbach - Bank of Montreal - SVP, Greater Toronto Division

I would just add it's very powerful for our teams because what we're looking for is people that are passionate about customers and this is all about that customer experience. And so what we're able to do if you're a customer service representative, for example, is we're able to guide you towards a great conversation. A conversation you might not have had the confidence or comfort level because it will take time to get that expertise in all of these areas. We have lots of experts that can look after in these various areas. This gets the conversation going and we'll find somebody that could have a great conversation with the customer. So the leads are very powerful in terms of this proactivity and we know that guidance drives the loyalty scores, that the more proactive we are, the more we offer suggestions to customers beyond what they came in for as a transaction, that's how we boost our loyalty. So it's very positive in the branch system.

Unidentified Audience Member

Okay. So the third question is I'm not asking for details. But I guess I'm curious as to what extent you can see if your algorithms or data collection are different from your friends across the Street?

Cam Fowler ***- Bank of Montreal - Group Head, Canadian Personal and Commercial Banking***

Yes. We can't see that necessarily. I have one important anecdote though to share with you - one of your colleagues in the room that I won't name did take the opportunity to say this morning, unprompted that what has impressed him most of his interactions with us in the last couple of years is the tailored appropriate proactive conversations that we're having with him versus the experience he is having with one other specific player not to be named. So we see that as a positive thing.

I think we're going to wrap up the question period there. Thank you for your questions and for your input. I think that we've carried you from breakfast to lunch and so it's time to actually have that lunch. So I would just close with a couple of thoughts if I may. The first is I trust that with the time we've had together going through each of the businesses and the question as well, you have a good sense of our business and our outlook and our strengths. We have a strong foundation and clear strategy going forward. We are confident, we think we're very well positioned for the future. I hope you've seen that as well. We do very much appreciate you taking the time with us this morning and let's enjoy lunch together. Thanks again.

PRESENTATION

Sharon Haward-Laird ***- Bank of Montreal - Head, Corporate Communications & IR***

Welcome back, everyone. We will now begin the afternoon session of our Investor Day today. I am very pleased to introduce Gilles Ouellette, who will provide a strategic overview of the BMO Wealth Management business and then will be joined by members of his management team. Hope you enjoy the afternoon session.

Gilles Ouellette ***- Bank of Montreal - Group Head, Wealth Management***

Thank you, Sharon. Good afternoon and thank you for joining us today. I'm here to speak about Wealth Management and particularly, I'm going to speak specifically about our Canadian and international businesses.

BMO Wealth Management is performing extremely well. It's a rapidly growing business and it's the fastest growing operating group at BMO. In 2014, we posted nearly CAD850 million in earnings[1]. Each of our businesses is making gains in client loyalty and market share. It's a very exciting time and we're well positioned to continue our positive momentum.

So today, I'll give you an overview of our businesses and I'll introduce you to our leadership team. I'm going to review the progress we've made in the past five years. I'll discuss our strategy and I'll demonstrate why we have confidence that Wealth Management will continue to deliver strong results. Following my remarks, each of our leaders will provide an overview of their business, and we're going to leave some time for Q&A after the presentations are complete.

The Wealth Management business at BMO serves a full range of client segments from mass retail to high net worth to ultra high net worth and institutional. We operate in Canada, United States; we're in Asia, Europe and in Australia. Wealth Management has performed very well over the last five years. We've had 14% annual revenue growth, and 18% annual net income growth[1]. And during the last five years, we've also improved our efficiency ratio by 588 basis points[1] and we expect to make continued improvements over the next five years. We've demonstrated strong growth, while at the same time we're significantly investing in the business, including investments in distribution, financial planning, product manufacturing, technology and regulatory compliance, all of which position us very well for continued growth. We're focused on our strategy of building momentum.

We have three strategic priorities. The first one is to enhance the client experience; secondly, to improve productivity and the third is to invest for future growth. Our clients are the center of our business. We strive to understand what they value and to respond to their needs. It's pretty clear that if our clients aren't happy, we're not going to be able to grow our business. So, we spend a lot of time trying to figure exactly what it is that they want. We're also focused on improving productivity and we're trying to maximize net income from every incremental dollar of revenue. And we do this in large part by continuing to simplify our processes, taking low value work away from the front lines, so they can spend more time with clients.

And on future growth, we're continuing to make investments in technology, including upgrading our systems platforms and digital channels and we continue to invest in people. We have great products but we know we can be even more successful if we have more feet on the ground. And as it relates to acquisitions, we've been very successful and we continue to look for opportunities to acquire businesses that are complementary where we can add some value. And over the past number of years, we've made significant investments in our businesses. The heavy lifting is behind us, and we are well positioned to see the benefits which you'll hear about today.

So Wealth Management has been the fastest growing operating group in BMO Financial Group over the last five years. We've grown from 17% of the Bank's revenues to 22% today. And we expect to continue to increase our overall contribution to the Bank as we benefit from a full-year of revenues from F&C and as well as our natural business growth. The Global Asset Management and the Private Banking businesses are the two businesses that we believe that we have

[1] On a reported basis: Wealth Management net income for F2014 was $785MM; 5 year compound annual net income growth of 17%; Efficiency ratio improvement of 400 basis points

the skill set to grow globally and we expect that they'll be the largest contributors to Wealth Management growth. And in Canada, we're focused on growing and gaining market share with Full Service, Direct Investing as well as Insurance.

We have tremendous strength in our manufacturing capabilities. Our investment performance has been strong with more than 80% of our AUM outperforming benchmarks. BMO Wealth Management is a global business with over a third of our revenues coming from outside of Canada. We have a proven track record of complementing our existing businesses through strategic acquisitions and most recently F&C and M&I which added significant assets under management. When we acquired F&C, we did so because we had confidence in our ability to execute because of our success with Pyrford which is a London-based asset management firm that we purchased seven years ago. Since then, the AUM has grown from CAD3 billion to CAD15 billion and we've created a lot of value. And Barry will tell you more about the success we've had with recent acquisitions.

Our acquisitions have given us valuable experience in, first, integrating cultures, navigating complex regulatory environments, diversifying products and expanding distribution in new markets. We've also provided access to new distribution channels, so that we are well positioned to cross-sell products across North America and Europe. More and more financial institutions want to be in the wealth management space. But believe me, there are no bargains out there, everything is fully priced. We're always interested in acquisitions, but only if we can add value for our clients and for our shareholders.

You see here a breakdown of the Wealth Management revenue as well as the leadership team you will have a chance to hear from shortly. Our leaders are experts in their field, they are exceptional, they are highly motivated leaders and they're committed to achieving excellence. The Global Asset Management business is co-led by Rajiv Silgardo and Barry McInerney and it manufactures and distributes a range of products and solutions including mutual funds, ETFs, pool funds and segregated institutional accounts. We have a product breadth and performance that rivals the top global asset managers. Charyl Galpin leads Nesbitt Burns, our full-service brokerage and the biggest contributor to revenue with 1,300 investment advisors across Canada.

Julie Barker-Merz heads BMO InvestorLine, our award winning online investing business in Canada. And Peter McCarthy leads Insurance, which offers life, annuity and creditor insurance products. The business has had very strong growth and continues to develop new products and capabilities, and that coupled with an extensive distribution network which rivals the biggest insurance companies in Canada, positions them very well in the future. Private Banking is led by Darrel Hackett in the US and Myra Cridland in Canada and Asia. But given today's focus on Wealth Management in Canada and international, Myra will make the presentation.

Our Canadian and Asia Private Banking offers a comprehensive range of financial services, planning and advice-based value proposition to high net worth and ultra high net worth clients. This business is award winning and has grown at a very impressive rate. As you'll hear from our leaders, our businesses have each been recognized for providing outstanding service and solutions and as a group, we've won the award from Global Banking and Financial Review for the Best Wealth Management in Canada for 2014. These awards and recognitions are important, because they drive client acquisition and they also provide third-party validation of what we already know - that we are a top wealth manager across our footprint. Strong client loyalty also supports this conclusion. Our research tells us that clients with high NPS scores stay with us longer, they make more referrals, they hold more of their assets with BMO, and they generate more revenue.

So we've had great success here with Ipsos Reid naming BMO InvestorLine the number one bank-owned online brokerage and for the second year in a row, BMO Nesbitt Burns received the highest client loyalty score among bank-owned full-service brokerages. And so, our focus on the client experience as one of our strategic priorities is critical. Our leaders are held accountable for loyalty scores as part of their compensation.

The Wealth Management business in Canada is growing rapidly. We're focused on acquiring new clients and gaining market share, and over the past five years, we've had great success in growing. We've taken market share from our competitors. InvestorLine has gained 206 basis points of market share. In full-service, we've gained 130 basis points. In retail assets, since 2011, BMO Mutual Funds and ETFs have gained 314 basis points and the BMO Private Bank has gained 253 basis points.

Our strengths have translated into attractive returns for BMO shareholders. We finished another good year in 2014. Excluding the security gain in the previous year, fiscal 2014 earnings were up 15%[1], client assets grew to CAD794 billion, up 44%, or up 17% if you exclude the F&C acquisition. Our strong fiscal 2014 helped us maintain momentum and over the past 5 years as I mentioned earlier our net income has grown 18% per year[1]. In particular, the Global Asset Management business, Private Banking and BMO Nesbitt Burns have all registered more than 20% annual growth in net income. And in total, the traditional wealth business, excluding insurance, has grown at a 24% CAGR over the five-year period. We've achieved top-tier revenue growth compared to our peers with revenue up 14% per annum since 2009, and over the last three years, traditional wealth has grown faster than our peers in both net income and revenue. Client AUA and AUM has grown at 27% a year over the last five years driven by strong organic growth, market returns and acquisitions.

So, we continue to invest in the business to maintain our trajectory. As I mentioned earlier, in recent years, we've invested in new technology, financial planning capabilities, product manufacturing, regulatory compliance and distribution. This past year, we've added more people, primarily in sales roles in BMO Global Asset Management and in Private Banking in high-growth markets. And even with these investments, our efficiency ratio has improved by 588 basis points[1] since 2009.

So, given our success over the past few years, we're focused on our strategy and our priorities: enhance the client experience, improve productivity and invest for future growth. Our near-term priorities are fully integrating our expanded European platform and capitalizing on cross-sell opportunities. And secondly, we’re continuing to strengthen our distribution. So, by executing on our strategy over the medium term, we believe that we can grow our net income at a CAGR of anywhere between 15% and 20% a year and deliver above 2% operating leverage.

So, before I hand off to Barry, I'd like to leave you with a few thoughts: that our strategy is working, the leadership team is committed and passionate, and our people are second to none. What you'll hear from our leaders is that we're focused on delivering an exceptional client experience, providing world-class products and services, expanding our distribution, and continuing our strong internal collaboration within Wealth Management and across the Bank. One of our key differentiators is how our businesses work together. Each of them leverage internal partnerships to drive these strategies and financial performance forward. And with the strategy outlined today, we plan to build on our already strong momentum.

And with that, I'd like to introduce you to Barry McInerney, who is the Co-Head of our BMO Global Asset Management business.

Barry McInerney ***- Bank of Montreal - Co-CEO, BMO Global Asset Management***

Thank you, Gilles and good afternoon, everyone. Rajiv and I are very pleased to be here today to share with you BMO Global Asset Management and its story.

BMO Global Asset Management is a global asset management firm with on the ground presence in 24 offices in 14 countries, serving a diverse clientele across five continents with over 250 investment strategies. We are now among the top 50 money managers worldwide, and the most global Canadian bank-owned firm with over half of our CAD300 billion in assets under management being managed by our investment professionals located outside of North America for clients residing outside North America, and approximately three quarters outside of our home country, Canada.

We've built our business through both strong organic growth and several strategic acquisitions with a five-year annual growth rate of 39%. And as Gilles mentioned, our investment performance has been very strong with 80% of the assets we manage globally exceeding their benchmarks over weighted one, three and five-year periods. Our business in Canada is strong and growing market share. Our successful ETF business has a market share in Canada of 24.3%, up 450 basis points year-over-year. And we're now ranked in the top 20 ETF providers globally. Our mutual fund business is also growing in Canada with 11.5% market share, up 30 basis points year-over-year.

[1] On a reported basis: Excluding security gain in prior year, Wealth Management net income for F2014 was up 11%; 5 year compound annual net income growth of 17%; Wealth Management efficiency ratio improvement of 400 bps from F2009

And we are well positioned for future growth. We have a proven track record of strong investment performance, high client retention, attracting and retaining top talent, product innovation, combined with a doubling of our sales force in each of our major geographies and a successful cross-border global sales model.

In the coming slides, Rajiv and I will review BMO Global Asset Management's performance to date and explain the key strategic priorities that will drive our continued strong growth going forward.

Let's first review our global financial performance. Needless to say, it's been impressive. Over the past five years, we've tripled revenue and we've tripled net income and we've grown assets under management fivefold. Organic growth has contributed a fulsome 35% of revenue growth and 50% of the net income growth. The remaining growth has been fueled by our successful acquisitions, which themselves have exhibited strong growth post acquisition. And so, based on our proven history of strong performance and execution of our strategic priorities, which Rajiv will cover in a bit, we expect to continue to deliver double-digit growth in assets, revenue and net income over the next five years.

So, this global map demonstrates the wide geographic footprints of the asset management business of BMO. We feel few companies can match our global reach and breadth of domestic capabilities spanning all the asset classes, using both active and passive products and strategies. And as mentioned, we've built out our business through strong organic growth, a number of strategic initiatives to expand on the ground distribution in new geographies such as the Middle East and Australia, and a series of successful strategic acquisitions.

All five of our acquisitions provided us with expanded investment capabilities. Pyrford with global equities, Lloyd George Management with frontier and emerging market equities, CTC with access to third-party alternative investment manager research for our growing global alternatives offering; M&I, US fixed income and US equities and F&C, European fixed income, European equities and alternative investments. And M&I and F&C also provided us with greater scale and distribution, and I'll touch on F&C in just a moment.

So, we have a proven history of making very complementary acquisitions and integrating and growing these businesses. Key to this growth has been a successful implementation of our cross-border global sales model, where our regional sales teams sell all of our global capabilities around the world into their respective regions. For instance, our US and Canadian sales teams have sold over CAD3 billion combined in new mandates for Pyrford in 2013 and 2014. And two-thirds of Pyrford's AUM now resides outside of its home market in the UK.

Now, let me give you an update on F&C. Since we closed the transaction in mid-2014, we are already building strong momentum for new business within a reenergized F&C. Gross and net inflows for F&C over the last six months of fiscal 2014 as part of the BMO family were the same as the flows for all of 2013. And these flows were further accelerating during the early parts of fiscal 2015. And since the acquisition, the F&C team has delivered a number of notable wins in the institutional marketplace, adding over EUR6 billion in diverse strategies including liability-driven investing or LDI, European equities, fiduciary outsourcing and ethical equities and fixed income. And many of these wins have yet to be onboarded. And finally, F&C's UK property fund and REIT strategy experienced record inflows during 2014.

Momentum is also building in developing new opportunities for cross selling of broader BMO Global Asset Management capabilities in Europe, and the same for F&C capabilities into North America. For example, F&C now sub-advises two of our mutual funds here in Canada, representing almost CAD1 billion in assets. On the institutional side, F&C's sales team in Germany just won CAD100 million mandate for our US fixed income team. It's early days, but the cross-border pipeline is building quickly. And so we've had tremendous success with Pyrford where we more than tripled AUM over the past three years as Gilles noted. And with M&I, we more than doubled the fixed income and equity mutual fund assets for M&I over the same time period. And we expect similar results for F&C in the future.

This is how our business stands today. So, we have four main hubs; Canada, United States, Europe and Asia, along with world-class investment boutiques strategically located around the globe. And we differentiate ourselves as follows. Number one, we have a breadth of global capabilities that provide us with the unique ability to create investment solutions to meet evolving client needs in each region, retail and institutional. Second, we're located on the ground in servicing our current and future clients throughout the world. Thirdly, as previously mentioned, we have strong investment performance with 80% of our assets outperforming benchmarks. Fourth, we have accelerated our distribution resources, doubling our sales force in both Canada and US last year and we have plans already underway to double our sales force in Europe over the next couple of years. Fifth, we have a proven history of innovation. Frontier equities, low volatility global equities, dynamic LDI and a full array of commercially successful smart beta ETFs are just a few examples. And finally, as part of the BMO Financial Group we have strong financial stability and strong brand recognition.

Now, into some pie charts. These pie charts demonstrate our broad diversification by AUM, the pie chart on the left, and by client base, both geographically at the pie chart in the middle, and by type and channel in the pie chart on the right. And again, as part of our global sales and relationship management model, we bring this diverse asset class capability to all of our clients around the world. Both retail in Canada, UK, Europe and United States and institutional in all of our regions including the Middle East and Australia and Asia, and those institutional investors would span the spectrum of pension plans, defined benefit and defined contribution, sovereign wealth funds, foundations and endowments and insurance companies. We can deliver these products and solutions to an expanding global client base in all five continents, either through our strategically located fund complexes in Canada, US, the UK, and continental Europe, as well as our offshore vehicles, our wide array of ETFs, regional and global now, 65 in total in both Canada and Hong Kong, or separate accounts and commingled funds available for institutional investors.

So overall, we believe our broad and diversified set of products and strategies makes us more relevant to clients and our global reach and overall global capabilities differentiates ourselves in the marketplace. Now, I'd like to turn it over to my partner, Rajiv. Thank you.

Rajiv Silgardo ***- Bank of Montreal - Co-CEO, BMO Global Asset Management***

Thank you, Barry. Good afternoon, everyone. For my part, I'm going to focus on two key areas. First, a couple of slides on our Canadian business and then I'm going to finish up with a few global themes.

So turning to Canada. As you can see from the slide, we have experienced top-tier growth across each of our mutual funds and ETF businesses. And we believe that this clearly demonstrates our unique ability to have thriving active and passively focused strategies and businesses that fully complement each other. If you look at the graph in the bottom left, it shows that our Canadian mutual fund business has almost doubled in assets from five years ago, with roughly half of that growth coming from net new sales and the other half coming from market movement. And this graph on the top left shows over this same period, we have gained 83 basis points in market share, which actually makes us the number one bank in organic growth over this time period.

One of the key drivers of this success has been our ongoing partnership with our colleagues in P&C. That partnership has been outstanding and has delivered great results for us. Last year alone, we experienced a 41% increase in net sales through that retail channel. Some of the reasons for the success in the Bank branches has been the fact that we've simplified our product offering for use by our bankers with mid and small-sized customers. We've enhanced training for those bankers, so that they can maximize that opportunity. We've also targeted specific customers with specific products and created specific materials for certain client segments, such as Asian language materials or RESP products for RESP customers.

But while the partnership with P&C has been strong, we haven't ignored the other channels. And as Barry mentioned, we've been growing our sales force significantly, and particularly in the IIROC and the MFDA advisor channels. And as a result of that we've seen a significant pickup in activity over the last 18 months or so and we continue to see growth in sales as well. So, as you can see our mutual fund business has been strong and it's still the lion share of our business in Canada. But we've had simply phenomenal success in the ETF business that we launched just about five years ago.

The graphs in the middle of the page show you what the businesses look like. We've gone from zero to 24% market share over this five-year period in ETFs. A few additional facts for you. For each of the last four years, we have been the fastest growing ETF provider in Canada in absolute dollar terms. Our success isn't just limited to asset growth, we've also been number one in customer loyalty for three years in a row. As Barry mentioned, with this growth we are now in the top 20 worldwide at number 18. And last year, two of the BMO ETFs that we launched were in the top 15 asset gatherers worldwide. Only BMO and Deutsche had more than one ETF on that list.

The successes we've had with our ETFs we'd attribute to two main factors. One is the fact that we have launched very innovative ETFs, mutual funds and managed solutions that invest in those ETFs and the other thing has been, our relentless focus on top notch customer service. And now, when you look at all of these products, the new ETFs, the new mutual funds that invest in these ETFs and the managed solutions, they make up approximately 35% of our assets in Canada and they account for approximately 40% of the revenue that we generate from this business.

Speaking of ETFs, let me take a minute to address a couple of questions that sometimes come up with respect to this business. And those questions typically are along the lines of, why are you in the ETF business and how are you going to drive growth in this? See if you look at the bottom half of the slide, we've listed a few other reasons why we think this is an important business for BMO Global Asset Management. First and foremost, ETFs bring a compelling differentiation to our clients and our prospects and thus expand our marketplace and our opportunity set. Secondly, our ETF strategies tend to be very scalable and have the potential to expand quite easily into different markets, which is our plan. Thirdly, with advances in technology, new types of investors worldwide can access these products much more easily than other retail oriented products. ETFs have also helped us to attract and retain strong talent. To them, this is evidence that we understand how the market place is evolving and in fact are driving some of that evolution. And then last but not least, this is a very good margin business for us and it's growing our profitability.

As to how do we see future growth coming, we've put that in the three circles that you see at the top. There are three key levers here. While the ETFs as a whole have grown strongly, there are certain segments within that industry, segments that are popularly known as smart beta or specialty that are growing even faster and we have quite thoughtfully positioned ourselves in those segments. Our approach is to anticipate investor needs for certain investment outcomes, say diversified income, low risk equity and then research, build and deliver those investment outcomes in ETF form. As the marketplace continues to better understand the advantages of these types of ETFs, we have the capability and the credibility to continue capturing share with our existing suite of products.

The second lever is going to be continued innovation. As I said, BMO ETFs focus on the smart beta and specialty categories. And while we made several advances in this area, for example, two-thirds of our BMO ETFs would be classified as smart beta, there's still a vast number of strategies that we believe we can bring to this market.

The third dimension is going to be new client segments. So if you look at it traditionally, do-it-yourselfers and advisors in North America, and institutional investors outside of North America have been the main customers of ETFs, and those segments are still growing strongly, which is good. However, there are newer segments arising. One example will be more types of institutions; pension funds, hedge funds, other asset managers, bank trading desks. The list really does go on and on and we have positioned ourselves to capture growth in these new segments in our existing markets. In addition to the new client segments, for us, there's really an opportunity in new geographies as well. We've been in Canada for five years. As Barry mentioned, we've just listed ETFs in Hong Kong, that was last November and now with F&C Asset Management, we have a terrific platform with which to explore similar opportunities in Europe.

I trust this gives you a bit of an overview as to our ETF growth strategy. We'll turn on to the next slide here.

This slide highlights some of the organizations and awards that have recently recognized our asset management business around the world. As you know, in our business, third-party recognition is important to drive new client acquisition as well as client loyalty. Awards help with our branding and position us as a leading asset manager with a proven track record of performance. For example, the Morningstar Best Specialty ETF award speaks to our differentiated suite of ETFs. The Lipper Awards that we won in Canada highlight the diverse range of investment capabilities that we have at BMO. And in the highly competitive US market, BMO has been included in Barron's Best Mutual Fund Families for 2012 and 2013. And in fact, we've just been informed that we've qualified to be included in 2014 again. That report comes out next month. And lastly in 2014, our F&C Funds won 25 awards mainly in categories that are very distinct from our North American capabilities. Which, as you've heard us say, is what makes F&C a very complementary acquisition for our asset management business.

So let me turn to our priorities over the next few years. Barry and I firmly believe that amongst all of the asset management firms in Canada that we have a truly unique opportunity to build a very powerful business. And to do that, we're going to focus on the same themes that Gilles mentioned in his remarks. First and foremost, we want to continue to enhance our client experience. Given our strong and varied investment capabilities, we intend to primarily offer our products on a total solutions basis in order to meet client needs. For example, in Canada, we have created and launched several very successful hybrid funds which combine our fundamental active and our beta and smart beta skills to create more optimal investment outcomes. This solutions-focused approach enables us to be much more relevant and much more differentiated than smaller regional competitors, who typically focus on single products.

The second priority is to continue improving productivity. We want to do that by driving top line growth. As I mentioned before, bringing investment and other global capabilities to our clients in different regions will enhance our clients' investment experience but it also has the added benefit of driving AUM assets and revenue growth for each of our businesses in those regions.

And then last but not least, we continue to invest for future growth. As it has been mentioned by both Gilles and Barry, that we are investing to double our sales force between 2014 and 2019 across all of our primary markets; Canada, the US and Europe. We've already hired approximately 80 salespeople across North America in the last 12-18 months. The hiring in Europe has just begun and will be phased in between now and 2019. Investing in the sales force is one thing but we also want to add selectively to our investment capabilities and so we're growing our ETF businesses in Asia and Europe, building out an alternatives capability from the foundation that F&C Asset Management provides and also looking at LDI strategies as a potential additional plank to our global business.

So what would Barry and I like for you to most remember about our business? There are four key items. First, we have a very diverse client base. It's diversified by type and by geography. This gives us the ability to bring proven solutions from one market place to another in a very timely and competitive manner. It also insulates our business somewhat from dislocations in particular client segments. Two, we have broad and deep investment capabilities and these are a key competitive advantage and differentiator for us. We want to use these to continuously deliver relevant investment innovations and solutions that meet the needs of our clients. Three, strong investment performance. Our singular focus has been to deliver value to our increasingly global client base. We want to outperform benchmarks and competitors but most of all, we want to ensure that our clients get the outcomes that they want and need. And lastly we have scalable distribution. With the doubling of our sales forces coupled with the acquisition of some of our newer fund complexes, we now have scalable distribution capabilities to continue to drive asset accumulation.

So in summary, we believe that we've built a business that is differentiated, that's scalable and that's poised for growth over time and through different market cycles. We are deeply committed to our clients and to our investors. We have a clear idea and plan of how we will build BMO Global Asset Management and that is what makes us most enthusiastic about being part of this business.

So thank you for your attention. Let me now invite Charyl Galpin to come and speak about Full Service Investing.

Charyl Galpin ***- Bank of Montreal - Head, Full Service Investing***

Thank you, Rajiv. It's now my pleasure to talk to you about Nesbitt Burns.

As you know, Nesbitt Burns is BMO's full service investment business in Canada. We are the largest revenue driver contributing 31% of Wealth Management's total revenue. We are an established business in a mature market and have been providing wealth advisory advice for 102 years. Today, we have 1,300 investment advisors in 50 branches and 30 estate and insurance advisers who work with our advisors to support our client's life insurance needs. We manage CAD138 billion in assets, which ranks us third largest in the industry. A high proportion of these assets are in fee-based programs and we rank number one versus other bank-owned dealers on this measure. And we're growing our fee-based business faster than our competitors. Fee-based is a good solution for our clients as decisions around portfolio changes are not made on the cost to trade, and for us, provides greater stability to our revenue stream. And as we think about our future, our vision is to build an iconic brand anchored in our ability to deliver a distinctive and consistent client experience that drives client loyalty.

Nesbitt Burns has a track record for strong financial performance. Over the last five years, we achieved annual revenue growth of 7%, annual asset growth of 9% and annual revenue per advisor growth of 9%. Nesbitt's productivity ratio consistently ranks either first or second in the industry and has improved annually by 1.6% over the past five years which has driven annual earnings growth of 21%.

Our competitors sell many of the same products and services. And our opportunity to grow market share is to differentiate on the client experience. We have done significant work to define the Nesbitt Burns' client experience. Our clients have told us what matters most to them, insightful financial plans, regular portfolio reviews and ongoing customized contact. And our focus is paying off. In 2014, we won the Global Banking & Finance Reviews award for Best Full Service Investment Advisory in Canada. And we achieved industry leading net promoter scores from Ipsos Reid in 2013 and 2014.

Our strategic priorities are consistent with what Gilles outlined: enhance our client experience, improve productivity and invest for future growth. Today, I will discuss three specific initiatives. One, to focus on target clients; two, to attract, develop and retain top investment advisors; and three to enhance collaboration across BMO to drive future growth. We are well positioned to deliver on these priorities.

Full Service Investing has actually evolved significantly since I joined the brokerage side of the business, 29 years ago. At that time, the business was purely transaction based. The majority of our revenue came from commissions earned on individual stock and bond trading. We made the decision 20 years ago to enter the fee-based business, after analyzing the changing marketplace and identified this opportunity much sooner than our competitors.

Our clients' needs, again, have evolved considerably in recent years. Today, their expectations of us go beyond investment management and are driven by the outcomes of our strong financial planning capabilities, outcomes including insurance, estate planning and business succession, to name a few. As a business, we've evolved to a point where we need a different leadership to ensure we deliver on our strategic priorities and adapt to these changing client needs. In the last 18 months, we restructured and re-energized our sales leadership team with individuals who clearly understand how to provide a distinctive consistent client experience to drive loyalty and our financial results have been excellent despite these leadership changes.

One of our key priorities is to focus on target clients. 75% of our clients generate 98% of our revenue. Of those 75% of clients, we do a great job providing the first 25% with that distinctive consistent experience, and these clients are generating 80% of our revenue. We're getting it right with these clients and meeting their expectations. We are now focusing on the next 50% who look and feel like the first 25% but are not always receiving regular portfolio reviews, ongoing customized contact and a financial plan. This is where our growth is going to come from. When we provide these services consistently, it results in a better client experience and an increase in share of wallet. We also recognize that some of our clients are not well-served through an advisory relationship, and we are working with these clients to determine if their needs could be better served in another bank channel.

Our second area of focus is to attract, develop and retain top investment advisors. Successful Nesbitt Burns advisors are growing and on strategy, which means they're providing the financial plans, those regular portfolio reviews and the ongoing contact with their clients. They're delivering that consistent experience to all clients and they are growing their books faster than their peers. Our top advisors are growing their revenue 13% annually versus 8% on average for other advisors.

We also know that in order to attract and retain the best advisors, we must have a best-in-class platform and tools. We continually invest in advisor desktop technology to improve their productivity and free up their time which allows them to spend more time with clients. This allows the firm to improve our productivity as we grow our business without adding more advisors or increasing our operating costs. We need to deliver strong coaching and practice management capabilities. Our investments in Salesforce.com, PriceMetrix and Practice Management Consultants provide advisors with tools and individual coaching to grow their practices. And finally, we have to provide a compensation structure that is competitive and rewards the right behavior.

The third priority that I'll speak to today is to enhance collaboration and cross sell across BMO by developing deeper relationships with our clients. We have heard from our clients that they want to be served by one bank. Therefore, our biggest opportunity is to leverage our relationships with our colleagues across BMO to deliver the full value of BMO Financial Group to our clients. Deeper planning conversations uncover multiple opportunities for us to expand share of wallet. We have a strong program in place today with our resident investment advisors. There are 282 of them sitting side by side in our bank branches with their P&C partners. The resident investment advisor, along with the financial planner, form the bank branch investment team. Together, they partner on activities that drive wealth, lending, everyday banking business, and this kind of partnership drives significant results.

For example, the average value of referred assets to Nesbitt Burns over the past five years is CAD6.1 billion. The value is captured as year-end assets and reflects a consistent pattern of growing the original referred amount by 3 to 1. Put another way, on average, we have received CAD2 billion in actual assets and grown them to CAD6 billion by the end of the year with additional external funds. The average amount of business referred by Nesbitt Burns advisors to partners is CAD1.6 billion, and these are actual referred amounts and not adjusted for in-year growth.

This is a powerful relationship, and I'd like to share a story with you to demonstrate the opportunity it presents for growth, but more importantly for one bank. One of our resident investment advisors found himself with a flat tire and time on his hands at a local tire store while he waited for the tire to be fixed. He started up a conversation with the owner, explained what he did, but also shared that as part of the wealth management division of BMO Financial Group, he has so much more to offer clients above and beyond wealth management needs. He could assist with both personal and commercial credit and everyday banking needs as well. The next day, the owner walked into the BMO branch and asked to see the RIA about a mortgage for his son, who had already been pre-approved at the local credit union, but actually thought he'd like to give BMO a shot. He met with our banker and she quickly completed a pre-approved mortgage application and was able to match the rate. She also opened a new checking and a new savings account and the son is now a new primary customer. A few days later, another one of his sons met with the banker and discussed moving his mortgage from the credit union to BMO. The banker recommended a few refinancing options and that business has now moved to BMO. A week later, the owner came back into the branch with his son and met with the banker to finalize some of those mortgage details, and our banker asked the owner where he did his business banking and advised that BMO had a strong commercial banking business.

To be clear, the owner was not a client of either our wealth or banking businesses. A simple conversation while waiting for a tire to be fixed resulted in multiple new business relationships for BMO, two personal mortgages, two primary accounts and a new commercial account relationship. And we have so many examples just like this one, as Ernie said this morning, great customer conversations and great collaboration between partners.

This year, we will implement a similar strategy with a private bank and have private bankers located in Nesbitt Burns branches to provide banking and lending services to high net worth clients.

In closing, we have a strong platform to attract, develop and retain top talent. We are enhancing collaboration and cross-sell across BMO. We've optimized and strengthened our sales leadership team and this new energy and management is creating capacity in our system to deliver on our strategic priorities. We are focused on target clients with a differentiated client experience. It's one thing to say that we are focused on clients but quite another to hear about it through their own voice. I would like to conclude my presentation by sharing a short client video which speaks to the power of providing a distinctive and consistent client experience. Please turn your attention to the screens.

(video playing)

Thank you, and it is now my pleasure to tell you that we will have a 10-minute break. Thank you.

Sharon Haward-Laird ***- Bank of Montreal - Head, Corporate Communications & IR***

Welcome back everybody. We will now start the last part of today's program. Our next presenter is Julie Barker-Merz, who is the Head of BMO InvestorLine.

Julie Barker-Merz ***- Bank of Montreal - President, BMO InvestorLine***

Thank you, Sharon and good afternoon everyone. Thanks for coming back from break, despite the snow storm. And I'm here to talk to you a little bit about my business and I'd like to start by providing you with a brief overview of BMO InvestorLine. We have an award-winning online investing service that provides clients with two ways to invest online, a top ranked self-directed service that provides tools to help investors make independent decisions on how to invest and a Canadian First, adviceDirect adviceDirect is an alternative investment tool that delivers personalized, values based full service investment advice online. adviceDirect is a tool that helps investors choose what to invest in and when while maintaining full control over their investment decisions. And I hope you all had a chance to check out our demo earlier this morning and if you didn't, and for those of you online, you can go to BMO InvestorLine and click on a demo to learn more. And for those of you who got sold through the demo, I can open up your account at the end of the day, so stick around.

Now, both online platforms are offered in English, French, traditional and simplified Chinese, all straight through to our trading engine. We also mentioned four channels on this slide, and by this we mean the call center, desktop computer, mobile and tablet. This past year, we expanded our digital access to include both mobile and tablet applications in the self-directed service, offering a best-in-class user experience, and we did this because Canadians are asking for it. There are 7.8 million tablet users in Canada alone and that's 37% over the year before and 43% of Canadians expect to be conducting their banking using mobile devices in the near future. We need to keep pace. This pace of innovation and delivery has earned us third place in market share with CAD43 billion in assets under administration.

Assets have grown at a compound rate of 13% over the past five years. We outrank our competitors in average account size and we continue to capture market share year over year. We know it's important to get the basics right in this business, tools, research, simple and easy-to-access trade execution while innovating in areas such as advice led services like adviceDirect and digital transformation such as our recently launched and already much talked about integrated banking and online investing app and of course, our active trader platform. Each of these are examples of offerings that help clients make better financial decisions all in one place.

And as one client recently shared in the Apple store, following the launch of our recent app and I quote, “Wow this is a fantastic app for my banking and investing in one spot, easy to use and very intuitive, thank you for making my life easier BMO.” And that's exactly what we're going for. And it's not just our customers telling us we're getting it right, our client experience has translated into solid financial performance despite market volatility and competitive pricing pressures.

When it comes to market volatility, it's worth noting that this business is impacted by interest rates. Spread revenue on deposits and margin loans has declined over the past five years impacting our five-year CAGR on both revenue and net income. And due to pricing pressures, trading commissions also decreased, in the mid CAD20s price range down to under CAD10 a trade and this has affected the entire industry. Despite these headwinds, we continue to have strong growth in new accounts and in assets under administration. They're all ahead of industry averages across all measures. Trading volumes are a great example of this.

Industry trade volumes have declined 2% between September 2009 and September 2014. Whereas at InvestorLine we saw a 5% growth rate. Trading volumes reached an all-time high in 2014 with a 17% year-over-year increase due to good growth in our client base and strong client engagement in our platforms and through our channels, further proof of the leading edge online brokerage capabilities that we offer.

I have already talked about how we're growing our market share. This is one proof point that demonstrates how consumers feel about us as they continue to bring over accounts and assets. Equally important is how we compete in our sales and service rankings where we've won top honors at the Morningstar Canadian Investment Awards and Top Firm for online discount brokerage services in Canada by Surviscor in 2014, just to name a couple of what you see on the slide. These rankings are really important to us. They get broad attention in the marketplace and in a business where PR, advertising and the blogosphere go a really long way in telling our story. It secures our existing client base, our price point and invites prospects to consider switching firms, bringing over their business and giving us a shot.

Our success in the online brokerage is a reflection of our strategic discipline, our deep commitment to staying in tune with our clients, our pace of innovation and our strength in execution. And adviceDirect is a great example of this strategic discipline. Two years into its lifecycle, adviceDirect continues to exceed client expectations and fill a space in the market unmatched by our competitors. We continue to define the category.

Both account and asset growth have been consistent since inception and client feedback has been very, very positive. This differentiated offer has also brought in new BMO clients to P&C. Clients are opening up adviceDirect accounts and they're bringing their banking with them. It's been a great acquisition vehicle, not only for InvestorLine but for BMO Financial Group as well.

Now I'd like to take a moment to dive deeper into our strategic priorities. As my colleagues before me clearly articulated, we think about our business along three key planks: client experience, productivity and future growth. While we measure our success against our online brokerage competitors, we know that it's not always the case for clients. In the online space, we compete with the Googles and the Amazons of the world and this leads us to think differently about our business and innovate to keep pace with digital change.

The launch of our recent iPad app is a great example of how we execute and how we think about this space. We took our time to listen to our clients to get it right, leading to a best-in-class app that Ernie talked about this morning that our clients love and continue to talk about. Understanding what our clients want is also about understanding who they are today, tomorrow and into the future. We're focused on getting it right with women and young investors to name a couple growing segments. We're focused on key segments that we believe will be the new face of online investing in the years to come. One example of this is our end-to-end Chinese website. It's been very successful in the Chinese community and attracted new clients to BMO as a result. We have on average 30,000 hits to our Chinese pages every month and this is growing month over month.

We also recognize that we cannot drive acquisition through the digital space alone. We have clients walking through our branch doors every day and this is an important opportunity to better leverage the sales force, not just in helping fulfillment and signing client forms, but also in acquisition. In fact, we've been doing it the hard way up until now, sourcing our clients from the street.

We know that our penetration rate in our own BMO client base is low relative to our peers. We built an award-winning business with clients who have no other affinity to BMO and we satisfied those clients. We have a compelling opportunity to better tap into loyal BMO clients and we're going to do just that. We are working closely with our P&C partners to build better sales tools, training and support to foster expansion and growth through the branch channel and Ernie made a mention of that already this morning. The integrated iPad app, I mentioned earlier, is all part of bridging the banking and the investing divide.

Now as we grow, we're also working through scalability of the business. This includes spending time on our processes and ensuring we simplify and automate where we can, both on the front end and the back end. This will improve productivity and the client experience. For future growth, we are focused on driving P&C client penetration and offering our clients a full suite of digital investing solutions that will simplify things for employees and clients alike. And of course, we haven't forgotten about our core client base, our active traders. For those clients, we have recently launched a state-of-the-art active trader platform to offer them tools to enable them to trade in a more robust way. And feedback again has confirmed that we got it right.

As Canadians become more savvy in the online space, InvestorLine has a unique opportunity to shape the online investing space and open it up to new users. With both self-directed and adviceDirect in our arsenal as well as the active trader platform and our multi-channel strategy, we are well positioned to continue to capture market share and meet the needs of all online investors in this digital space.

As I close off my presentation, I would like to emphasize three key messages. First, we are the leading online brokerage business with an innovative offering and an award-winning platform. Second, we have a deep-rooted commitment to providing an exceptional client experience. Third, we are focused on increasing cross-sell opportunities through strong partnerships across the Bank to continue to capture market share, on-board new clients and increase assets. We have a strong record and we're well positioned to continue delivering on a world-class offering.

So now I'd like to invite Peter McCarthy to talk about the investment business.

Peter McCarthy ***- Bank of Montreal - President & CEO, BMO Insurance***

Good afternoon. Actually I'm going to talk about the insurance business. I'm very pleased to be here to talk about BMO's insurance businesses and how we complement what happens at the Bank and our wealth divisions and how we help serve our customers across the Bank. So, BMO Insurance is a growing and diversified business. As you can see here, we've had very strong net premium growth and a CAGR of 15%, as well as strong asset growth over the last five years. With BMO's focus, which you've heard about today, on financial planning, both in wealth and in banking, insurance and insurance savings products form an integral part of any financial plan and therefore, are a strong complement to our BMO products and services.

There are three parts to the business. We have a life insurance business that was acquired from AIG in 2009. This business focuses on traditional life insurance and accident health products and savings and retirement products. There are two channels; independent advisors, which includes Nesbitt Burns, and a direct-to-consumer channel. This has been a high growth business. We've had 16% revenue CAGR over the last five years.

The second part of the business is the creditor insurance business. This insures loans, credit cards, mortgages and small commercial borrowers of the Bank. It is a profitable, stable and low-cost business. We also have a reinsurance business that does international property and casualty reinsurance. It is a small but growing part of the business. As a reminder, we are not in the property and casualty business in Canada.

We've had, as you can see here, strong financial performance, very steady revenue growth with a five-year CAGR of 8%, as I said, driven primarily by the retail life insurance business, which has had very steady growth in net premiums. Our net income growth has been a strong 9% CAGR. We have a very solid efficiency ratio and operating leverage.

Like other Canadian life insurance companies with long-term liabilities, our results are impacted by changes in long-term interest rates. When rates eventually rise, we will see a benefit to our revenue. Actually I should add, as Gilles and I were chatting about this earlier, that over the last five years, almost six years actually since I joined the Bank, we've moved our exposure or our sensitivity to interest rate movements down quite a lot, over 50%. So today, a 100 basis point movement in long-term interest rates has a CAD63 million after-tax impact on earnings in the insurance company. So that's down to over 50% from where it was six years ago though watching rates in the last week and a half I wish it was down over 75%, but it's not.

The life insurance business in Canada, as you know, is broad and deep. In total size, the life business in Canada is about half the size of the five big Canadian banks combined. So, BMO Insurance is, obviously a mid-size player in this market. So we strategically choose very carefully where we can compete effectively with the three large domestic players.

In the insurance business, about 50% of the life insurance sales are from managing general agents, or MGAs. Think of them as insurance dealers. In our life insurance business, we have the same access to the managing general agent network, the IIROC firms and the MFDA firms as the big three. We have contracts with over 24,000 independent brokers. We have strong and long-term relationships with our distribution groups and have leveraged our strong BMO brand for success. In addition to that, we have privileged access to BMO Nesbitt Burns estate and investment advisors. This is a key area of growth for BMO Insurance and we are benefiting from BMO Nesbitt Burns' and BMO's strong focus on financial planning, which of course, adequate life insurance and retirement savings are an integral part. There are approximately 1,300 investment advisors at Nesbitt Burns.

Along with BMO's brand strength, we're able to leverage investment administrative expertise and infrastructure at the Bank to gain instant scale in many of our markets. For example, and I'm particularly proud of this example, actually we launched seg funds in December 2013 as some of you know. When we did that, we leveraged BMO GAM to provide us the underlying investments, BMO GAM's wholesalers to wholesale the product in conjunction with our life insurance wholesalers. Our mutual fund group at the Bank does the administration of the funds and BMO Capital Markets provides risk management and hedging expertise. So, our product had all the advantages of scale with our big three competitors on the launch date.

In the markets we want to compete in, we are a strong player. For example, in the MGA and what we refer to as the national accounts channel or the IIROC channel, we hold down the number five or six market share spot for universal life and term insurance. We were a top two player in the payout annuity business in Canada.

I would add that remember a life insurance policy is effectively a long-term promise to pay a claim. Financial strength and brand promise are both very important when advisors' consumers consider paying someone to keep such a long-term promise that our products offer. So in those cases, certainly our brand promise is very important.

In addition, we have a strong to leading position in the direct-to-consumer insurance business with a state-of-the-art marketing database with a growing focus on online marketing to meet the demands of consumers researching and buying their insurance products online. You may have seen a demo of our website outside this morning with the screens next to the nice adviceDirect application.

Our creditor insurance business is profitable and very complementary to the efforts of personal and commercial bankers selling and issuing loans. There's a continued focus on financial planning in P&C as well and our products are simple to purchase, easy to understand, protect our consumers against death, critical illness, disability and job loss. We have the broadest portfolio of creditor products amongst the Canadian banks. Our goal within P&C is to create a culture of insured loans, using our dedicated sales support team to work with and train and support our branch staff. We've invested heavily over the last three years in systems actually to broaden our portfolio, enhance the customer and the employee experience in the branches and make it easier to do business.

Our reinsurance businesses is a traditional international reinsurer that focuses on very diversified risks, has very strong underwriting discipline and helps us diversify our insurance businesses.

I will now focus on a few of our strategic priorities that will drive future growth. The first is continuous review and adjustment to our advisor and direct-to-consumer product lineups to adapt to changing market conditions and consumer and advisor trends. It is really important to be nimble and innovative in this space. So far in fiscal 2015, we've re-priced our structured settlement annuities and our single premium immediate annuities, one of our universal life products, and launched a new direct-to-consumer product. We expect to continue to adjust our product suite to take advantage of opportunities as we see them. We're always assessing distribution methods and recently improved or upgraded features on our website as I mentioned and launched the new product called insureNOW. This is a combination product of life for critical illness and disability insurance that can be purchased online. So, no blood test, no visit from a nurse, no paper application, and this is actually quite innovative. And they only have to answer some questions, of course, and then they can do an instant purchase. It's met with very strong early success. It's only been in market actually just about three months now. We've had strong early success and there's clearly a propensity for clients to search and buy insurance products online that we're trying to take advantage of.

We continue to invest in systems to improve ease of purchase, enhancing the customer experience and shortening turnaround times. And collaboration across BMO entities will continue to be important for our insurance company and the Bank. I've already mentioned our segregated fund product as an example of the collaboration, but there are many other examples I can point to. We have leveraged BMO Capital Markets to create what is now our best-selling investment product inside our universal life product. We've added a number of BMO ETFs as investment options in our universal life product with success. And another example that I like, which I refer to personally as the Bank of the MGA -- so, don't write than down, that's what I call it, it's not an official name. But what that is, is we use our insurance wholesalers who have great distribution relationships with life insurance brokers across the country to work with our investment lending specialists of P&C make introductions, have the investment lending specialists help the life insurance brokers make referrals to get mortgages, lines of credits and other loans for their customers. We piloted that in 2013 with two sort of small MGAs, one in St. John's and one in Calgary and then we branched out in 2014 because the pilot worked pretty well and have started adding MGAs one at a time across the country. In the last three months last year, the fiscal year, we referred $12 million in loans per months to P&C. So we think this is going to continue to grow and become a significant referral source for P&C and builds a fence around our brokers and keeps them loyal to BMO. That's the advantage for us at the insurance company.

As I look ahead to the future of BMO Insurance, I see it's continuing our positive momentum to grow each of our insurance businesses with Life Insurance, the retail life business continuing to be the most important part of that growth. We will use our broad external and internal distribution points available to us as being part of BMO and we'll leverage that broad expertise at BMO to drive future growth, while enhancing the financial planning experience of BMO customers by protecting their assets and providing peace of my mind. My team and I are very excited to continue to leverage the best of BMO to grow and expand our insurance business and better serve our customers.

Thank you. I'm going to turn it over to Myra Cridland who's going to talk about the Private Bank.

Myra Cridland ***- Bank of Montreal - Head, BMO Private Banking,Canada & Asia***

Thank you, Peter and good afternoon, everyone. Thank you for hanging in for the last presentation. I'm very happy to be here and share with you more about the Private Bank.

It's really a very exciting business. We have talented professionals and exceptional products and services. The Private Bank of BMO is an established business. In Canada, we've demonstrated strong organic growth and are well positioned to continue our momentum. We aspire to stay on top and to lead in market share, client loyalty and revenue growth. And I'm happy to walk through our plans this afternoon.

In the Private Bank, we focus our efforts on serving high net worth and ultra high net worth clients and their families. We define high net worth clients as those who have investable assets over CAD1 million dollars and ultra high net worth at CAD25 million and above. We have deep personal relationships with our clients which often span generations. We operate in all major cities across Canada as well as we have operations in Hong Kong and in Singapore.

And as you've heard throughout the day, wealth planning is an essential part of our business. Ensuring our clients have customized wealth plans is core to our client experience and we consider all aspects of their lives as we build their plans. We have a full range of products and services targeted to our specific client needs and that would include wealth planning, banking, investments, estates and trusts as well as philanthropy. We are uniquely positioned in that we have strong internal collaborative environment within BMO. Many of our target clients have business with other parts of the Bank. For example, in the retail bank or with the commercial bank, or corporate finance or Capital Markets. These are important referral sources for us and we've been very successful in partnering and expanding existing BMO relationships.

For example in personal banking, clients are often introduced to the Private Bank through their banking relationship and we have had a very successful referral program over the past five years. And when clients are transitioned from the personal bank into the Private Bank, what we see is increased loyalty scores with those clients as well as we're able to double the revenue of those clients within three years. This year we're ramping up our referrals with P&C and we're targeting 2,000 personal referrals from the retail part of the Bank, and this is double from what we did last year. Last year, we also added 40 client-facing individuals to support our growth, and we completed a major improvement in our lending process. We're seeing early benefits from this process improvement, we saw a 15% increased capacity with our Private Bankers. And we're referring at that time to help build relationships and grow share of wallet with our clients.

Our Asia business was recently acquired. It's a relatively small business that's aligned to our operations. We see Asia as a great source of future revenue growth and plans are underway to expand our products and services as well as attract additional experienced relationship managers into our business.

We've generated strong financial results. Over the past five years, revenue and funds managed and administered in Canada have grown at a CAGR of 12% and 13% respectively. Our efficiency ratio has steadily improved and is down 10% over the past five years. We've achieved this primarily through team structuring, centralization of some of our functions as well as driving our top line revenue. This has resulted in earnings growth at a 20% CAGR.

Proof that our model is working, when we look at our market share position relative to the big six banks based on the latest data, we rank number one in our investment management business, we're number two in banking and we're number one in growth of revenue per FTE. As a relationship business, these strong results are dependent of course on having great people. We're really a people business.

We've committed to a great employee experience. We have very high employee engagement scores and that's been successful in attracting and retaining top talent within our business, as well as translating into very strong client retention.

Our Canadian business, similar to many of our other wealth businesses, is award winning. We've been named the Best Private Bank by two independent sources for the past four years and this year, we also received recognition as the Best New Private Bank in Hong Kong and Singapore. This external recognition helps our brand and drives new account acquisition. What sets us apart is our differentiated business model. We believe we're differentiated because we have a unique team-based approach and our compensation structure is aligned to reward this team behavior.

In 2012, we conducted extensive client research and we learned what the clients really value with their Private Bank. We better aligned our teams to ensure our clients experience the full breadth of our capabilities. We implemented extensive client research, client relationship management training, new tools and processes, all to better serve the client and adapt to the changing needs. The implementation of our new team structure is behind us and now we are focused on the consistent execution of this new model across the country. We go to the clients, not the other way around. The client has a dedicated relationship manager who is part of a team of five to six wealth professionals, all of whom get to know the clients' needs and aspirations and who bring a specific area of expertise to the client. We know that by offering a full service solution for our clients and in earning their trust that they reward us with additional business as well as advocate to their friends and families.

Again, strong collaboration within BMO is an important part of our success and key to our growth. Many of our offices are co-located with our partners in Commercial Banking or in Corporate Finance for example, which enables us an easier identification for potential clients. I'll talk about collaboration throughout my remarks. We're deliberate about it at BMO. Teams from across BMO are incented to refer clients to the most appropriate place and we work together to capture all of our clients' business. If I could just share a quick story to demonstrate a recent success we had, we had an ultra high net worth family in Canada presented a new opportunity to us and it was a very large, very complex deal and the client specifically requested one proposal sheet from the bank. And we were the only bank on the street that was able to come to the client as one bank with one proposal sheet, and as a result, we won the business.

Let me just turn now to talk a little bit about our three strategic priorities. First, as we focus on enhancing our client experience, we continue to add sales people in high-growth markets. We also have the dedicated wealth planner in each of our client teams now. We know that one of the ways to broaden our relationships and to make gains in loyalty is by providing quality wealth plans. We're also strengthening our technology platform and our digital capabilities. So for example, we're building a new online client portal and we are also upgrading our investment management systems to ensure that we are well equipped to manage the growth that we're experiencing. We're also very focused on simplifying our processes to make it easier for our clients to deal with us as well as reduce costs. As I mentioned earlier, we last year implemented our new lending process and this year, we're targeting our new client on-boarding process.

Second, as we improve our productivity, we're using client analytics to help us. For example, we've implemented tools for client relationship management that puts the information all in one place for our relationship managers. They provide a view of our client and a clear picture of the pipeline of their opportunities, so that our teams can focus on the high value activities. As a result of these tools and other analytics, we've seen 4% growth last year in clients having multi-products with us, and on average our revenue per household has grown by 8% as a result of using these specific analytical tools. We're also transitioning clients whose needs would be better met in different channels so that we can dedicate our expertise, specifically to the high net worth and ultra high-net-worth segment.

Third, as we invest for future growth, we know our clients go through different life stages, and as a result we're developing innovative products and services to meet their changing needs. For example, in this coming month in February, we're launching a new product called Continuity and it’s targeted to clients over the age of 70. It provides a full suite of investment and trust services. It ensures the continuity of their financial affairs in the event of mental or physical illness and ultimately transitions to estate management. We're going to be the first to market with this kind of product within -- and we feel that with Canada's aging demographic, we're confident that this is addressing a very important need for our client base.

Another example of investing in growth is our commitment to continuing to collaborate across BMO Financial Group. Our P&C partners have referred more than 11,000 relationships to the Private Bank. And in 2014, CAD2.4 billion in assets were referred to the private bank from all of our BMO partners, which is up 42% from last year and the private bank in turn referred CAD2.1 billion to our partners. Also, as Charyl mentioned, we have a new opportunity and we are testing to provide private banking to our high net worth BMO Nesbitt Burns clients, as we go into 2015 which we're very excited about.

I'd like to just wrap up with a few key points. Our go-to-market model has been very successful and it set us apart from our competitors as evidenced by our market share gains as well as by our clients and employee retention. We have very strong internal partnerships and collaboration and this has been a key driver of our success and we expect to continue with the strong momentum. We have a solid track record of results and a clear game plan for how we will delight our clients and as a result grow our business.

I now will leave you with a client testimonial that will help bring our story to life and this story supports Steve Murphy's earlier comments this morning regarding our focus on women entrepreneurs and how we can help, please watch.

(video playing)

And with that, I would like to turn it back to Gilles.

QUESTION AND ANSWER

Gilles Ouellette ***- Bank of Montreal - Group Head, Wealth Management***

Okay. Where is the first question.

Unidentified Audience Member

Just regarding the ETF business, it's obviously a real source of growth for you. To what extent are you worried about the ETF product cannibalizing your mutual fund product? Could you give us a flavor of the different profitability profiles of these products, and just as a 2nd part, how much direct profitability does it generate for the Capital Markets business and is there an offset?

Gilles Ouellette ***- Bank of Montreal - Group Head, Wealth Management***

Just before Rajiv starts, this is going back, I guess five years ago and when there were the changes to the income trust business, right, and we had obviously a mutual fund complex that did a lot of income trust and we started to look around at what is next. And that's when we started realizing how fast this ETF business was growing and that there was a strong intellectual argument for ETFs. And so when we were sitting around the table this was one of the first questions that somebody popped like what they are going to do to our mutual fund business. And as a group, I think we came to conclusion that we're either going to cannibalize ourselves or somebody else was going to do it. And so, we decided to kind of cannibalize ourselves. But Rajiv can tell you that's not what's happened.

Rajiv Silgardo *- Bank of Montreal - Co-CEO, BMO Global Asset Management*

Thank you, Gilles. So let me try and address all three questions for you. In terms of the cannibalization as Gilles said we did think about this at the outset, but again the question for us was where is the market going to, and what do we need to do to be there alongside of it.

If you look at institutional investing since the 1970s what you will see with most pension funds is that they always have a blend of active and passive management in their portfolios. Maybe, a particular asset class or a particular investment strategy that's managed more passively and others that are managed more actively. So where you have more opportunity to create alpha, you manage those assets actively otherwise you put them in a passive situation. So that's what we're trying to do with our ETF business. We want to have the ability to offer both passive and active strategies into the market. What's great about having ETFs and mutual funds is that they're both just delivery mechanisms. Underlying each of these delivery mechanisms is an investment strategy, whether it's an S&P 500 Index fund or actively managed US equity portfolio. We can choose to deliver either of them, in either form. We've chosen to do it in ETF form because as we're seeing with advances in technology the ETF form is easy to bring to market. There are lower distribution costs, it's very scalable, the same ETF can be bought, for example by institutional investors, by retail investors. There's -- unlike other investment products they aren't restricted to a particular segment of the market. So, this is why we have both ETFs and mutual funds.

In terms of cannibalization, we showed you some numbers during our presentations. And you saw that when you look at the growth of our funds business alongside of the growth of our ETF business we've actually been the number one bank in terms of growing our share of mutual funds in Canada as we've built and grown an ETF business. So I'm sure there's been some cannibalization but it's hard to see in the numbers itself, you know, how much it is.

In terms of the profitability, no question that the top line revenue numbers are different from mutual funds and ETFs but so is the cost of manufacturing and delivering each of those types of products into the market. So in terms of the percentage of revenue that's left over after you've accounted for all of the costs it's actually the same if not better for ETFs.

And I am sorry, the third question was?

Unidentified Audience Member

Just what kind of contribution does it generate indirectly for the Capital Markets business?

Rajiv Silgardo *- Bank of Montreal - Co-CEO, BMO Global Asset Management*

Yes. So in terms of the capital markets business, they would trade our ETFs and they would help us trade with some of the rebalancing that we do for the ETFs, just as that they do for our mutual funds and other investment products.

So, I don't have a sense of dollars and cents, in terms of --

Gilles Ouellette *- Bank of Montreal - Group Head, Wealth Management*

Rajiv tells us it's too much.

Rajiv Silgardo *- Bank of Montreal - Co-CEO, BMO Global Asset Management*

Yes. That's absolutely right.

Doug Young ***- Desjardins Capital Market - Analyst***

Hi. It's Doug Young from Desjardins Capital Markets. So the first question, obviously in the retail mutual fund side in Canada, a lot of regulatory change coming down the pipe with CRM. Just curious your thoughts on how that impacts your business? Is it a positive or is it a negative?

Gilles Ouellette ***- Bank of Montreal - Group Head, Wealth Management***

You want to take that.

Rajiv Silgardo ***- Bank of Montreal - Co-CEO, BMO Global Asset Management***

Sure. So with CRM, as you know, there are different phases. And CRM2 is coming into the marketplace in the next 12 months or so. And what CRM2 means is that there is going to be more disclosure by advisors, whether within the brokerage channel or even in the credit banking channels about the fees what they earn from their client assets. And what that means is that these advisors will now have to prove to their clients that they have a value proposition that is more than the fees the client is paying them. So essentially what CRM2 means us that the advisor community has to get ready for it, one, to be able to disclose the fees and two to be able to articulate a strong value proposition against it.

In terms of our own businesses, I would say that we are sort of well positioned for this kind of initiative from an asset management point of view. I suspect my colleagues on the distribution side would say that they are strongly positioned when it comes to being able to articulate a strong value proposition as well.

So from our own perspective, we feel that we are in very, very good place when CRM2 rolls in.

Gilles Ouellette ***- Bank of Montreal - Group Head, Wealth Management***

I think as Charyl mentioned earlier that we've transitioned the Nesbitt Burns book a lot to the fee business where all the fees are very transparent et cetera. And the mutual fund book is obviously quite a bit smaller, over time it's gotten smaller. I mean I can't speak for Charyl but we don't see that being an issue at Nesbitt Burns.

Doug Young ***- Desjardins Capital Market - Analyst***

I guess I'm more specifically looking at your ability to sell through the branch network and are you impacted as much through that distribution network as the independent advisor community?

Rajiv Silgardo - Bank of Montreal - Co-CEO, BMO Global Asset Management

In the branch -- I don't think the regulators have made clear exactly where they want to take the embedded fee part of this. So for now all we're talking about is the disclosure and we are very clearly on what the disclosure needs to be. But there is a separate discussion going on in terms of mutual fund fees, the embedded portion for advice and what the regulators in Canada want to do about that. So we've had the discussion in the UK and in Australia and in a couple of other jurisdictions and they have actually split the fee for advice separate from the fee for asset management purely and we've seen the reaction in those markets or what's going on in those markets. But in Canada, it's still not clear how the regulator wants to proceed. In fact, they're currently engaged in a study of fees across the industry and fund flows across the industry, and that's just getting underway. So I think it's going to be a few months yet.

Doug Young ***- Desjardins Capital Market - Analyst***

So we don't really know yet?

Rajiv Silgardo ***- Bank of Montreal - Co-CEO, BMO Global Asset Management***

We don't really know yet.

Doug Young ***- Desjardins Capital Market - Analyst***

Peter, sorry, on the insurance side, did you say you're number two in payout? Sorry, I didn't catch that number, number two in payout annuity business. Is that in Canada?

Peter McCarthy ***- Bank of Montreal - President & CEO, BMO Insurance***

Yes, in Canada.

Unidentified Audience Member

And what's your appetite for growth in that? Because it's obviously a very different risk set there.

Peter McCarthy ***- Bank of Montreal - President & CEO, BMO Insurance***

Well, it's a very good question. I mean there are three elements to the annuity business. So one is single-premium immediate annuities, which are buyouts of an RRSP, someone converts their RRSP to a retirement annuity. That market is highly commoditized and our market share was lower there. And it's very high in our other two markets which are structured settlement annuities, which are annuities as a result of a car accident, someone who is catastrophically injured. There are only four players in that market. So the margins are very good. In fact, they'll soon be three because Standard Life and Manulife are going to become one anytime now when OSFI approves that acquisition. So we like that market a lot. Now, it's not that large. The total market is CAD650 million-CAD750 million a year, so divided by 3, let's say. We were number one in that market last year at the end of the third quarter.

The other market is terminal funding annuities and that's the largest one, so that is a buyout of defined benefit pension plans. And last year, the market exceeded CAD1 billion and the total market for potential buyouts is CAD1.4 trillion. So there's a lot of run rate there. But I would say, you have to understand in the insurance business, we sell lots of life insurance. Lots of annuity insurance are natural hedges, right, especially if there's ever a pandemic, there's lots of reasons why they're natural hedges. It's good for investments as well, it helps lower our -- the annuities tend to be shorter duration than our life business, so it helps lower our interest rate mix and sensitivity as I mentioned earlier. So, we have a lot of appetite for that and we think that the appetite for TFAs for buying out pension plans is going to continue for some time. So our appetite is relatively high and the margins are good.

Sumit Malhotra ***- Scotia Capital Markets - Analyst***

Sumit Malhotra, Scotia Capital. For Gilles, Barry or Rajiv, the acquisition strategy on the asset management side. So if we go back over the last seven years, I think there has been three acquisitions that you've made across geographies. I wanted to know, as you look at this future, the future of this business outside of Canada going forward, is there a specific product or geographic capabilities you're looking to add because I think each of these have been spread out over time and obviously in different areas? What is it that you're looking to add to this business as you continue to grow by acquisition?

Gilles Ouellette ***- Bank of Montreal - Group Head, Wealth Management***

Yes, thank you. As I had mentioned earlier, I mean there are two businesses that we're going to take global. One is the asset management business and the other is the private banking business. And with F&C, with the acquisition of F&C, what we got there was really our European platform. We also kind of lucked out because with that platform, F&C's business was exclusively in Europe and our asset management business was exclusively in North America. So what we've started doing and Barry talked about this a little bit is that we've now started marketing their products in North America and they're marketing our products in Europe. So as far as -- certainly, for the time being, I mean job one is obviously to have the full integration of F&C. And so there's really nothing in that space over the horizon. And in terms of capabilities, I mean we've got really a broad suite. So we don't need more capabilities. I mean one of the things that we did acquire with F&C was not just a new geography, but also some capabilities. And if there's anything left out there, it'd be pretty small. Over time, we may be looking at other geographies. Asia is one where we already have kind of a light footprint. It will be nice to be able to bulk up.

The other business in Private Banking, we have scale in North America in both Canada and in the US. We have, as Myra mentioned, a small footprint in Asia, which we'd like to be able to bulk up over time, but everybody realizes the Asian market is growing very rapidly. We got lucky again with this one and so we're able to buy -- whether we'd be able to add scale over the next little while could be difficult. But one of the obvious white spots is Europe for private banking. And we are looking and I think over time, we will be able to get a bit of a platform, but there's really nothing imminent. So we are trying to scale both of these businesses globally. It's not so much capabilities that we need, it's more in the way of geographies.

Sumit Malhotra ***- Scotia Capital Markets - Analyst***

And I know we touched more in detail on the US in the 2012 trip to Chicago. But as you think about -- and I'm sure we'll cover that again in a different event, but as you think about your US footprint, is the wealth management growth in that region in your view, more likely to be organic on the back of the BMO Harris brand? Or is there some scale you need to add via an acquisition there as well in your view?

Gilles Ouellette ***- Bank of Montreal - Group Head, Wealth Management***

In the US we don’t need more scale. I mean the businesses that we have which are largely in the Midwest has scale. But I do think as we expand in the US, we are going to have to go in areas where we don't have the benefit of P&C because we can expand faster than P&C. But having said that, and Myra has talked about this, there's no question that expanding wealth management with personal & commercial is a much, much easier job than going out there alone. And so I think that one of the advantages that we bring to this, bring to any future acquisition, any P&C acquisition in the US, is that we know how to extract high net worth and ultra high net worth revenues from the P&C base. I mean we have very deep wealth management, private banking capabilities in the US that not many of our competitors have. So we see that going forward as a real advantage in the future for acquisitions.

With respect to the asset management business, we'd like to be able to bulk up. I mean we know that we're in the top 50 globally. The US is a large business and there are a lot things in play. And I think we will be able to kind of bulk up in the US. We would like to be larger in the US.

Darko Mihelic *- RBC Capital Markets - Analyst*

Hi. Thank you. It's Darko again from RBC. Just a question, Gilles, greater than 2% operating leverage is one of your goals, it seems aggressive. Which business leader up there is going to shoulder most of that difficult lifting?

Gilles Ouellette *- Bank of Montreal - Group Head, Wealth Management*

Yes. I mean we have pretty aggressive plans for all the businesses. I mean in the last couple of years, and I've said that on a number of occasions, that we've made some quite large investments in our platform in spite of the fact that we've had good financial results and certainly, we've added a lot of distribution. Rajiv mentioned, Myra mentioned it. And so I think that all of these businesses should be able to operate with a 2% operating leverage because I think going forward, we'll be able, although we see the opportunities, we're going to be able to get some benefit from the investments that we've made. And I think that in the last couple of years, the leverage hasn't been as much as we wanted and partly it's because we could see the opportunities. We've focused really more on net income and growth and so on. But I think going forward, certainly for the next little while, we are focused very much on operating leverage, which means that we may not be investing as much as we have in the last three years and to just take a bit of a breather and start reaping some of the benefits and that's kind of the mode we're in. I mean there is a business reason to take a bit of a pause too because you need to be able to absorb all these people, right. I mean it takes a little while for them to ramp up, et cetera, and you just don't want to have a lot of people certainly on the distribution new to the business going out there at the same time. So, like we've made these investments in the last couple of years and we're kind of slowly letting them ramp up and so that's why we feel pretty confident that we're going to be able to get that 2% across all the businesses.

Barry McInerney *- Bank of Montreal - Co-CEO, BMO Global Asset Management*

Now, if I can add and not that Rajiv and I are going to shoulder all this responsibility, but the asset management business is very scalable. And so, as Gilles mentioned, we've put a lot of investment into it in last several years, an acquisition, obviously, doubling up our sales force. Of course, as Gilles mentioned, our manufacturing plan is really essentially set. We have a lot of capabilities around the world and they're performing well. So really, the name of the game now is, with the expanded distribution resources we have in each of our regions, just bring the assets on the platform and that's obviously very accretive because the fact of the matter is, as the assets come on the platform, we don't have to add costs. So, that's something that we're working towards very hard over the next three to five years.

Charyl Galpin *- Bank of Montreal - Head, Full Service Investing*

You may remember as part of my presentation, I spoke to the work that we're doing to free up the time of our investment advisors and the focus that we have on really serving the right clients in the full-service advisory channel; and as we do that, we can have our advisors spending more time with clients and growing their practices. But we don't actually increase our operating costs in any significant way. So that's where we will get our leverage.

Gilles Ouellette *- Bank of Montreal - Group Head, Wealth Management*

Everybody a little tired? Okay. Well, that looks like that's it for the questions. You guys got off easy. So, just as a kind of closing note, I just hope that all of you now have a better understanding of the strength of our business performance and the leadership teams and why we're confident that we're going to be able to continue to deliver the strong results. We've strategically invested in the business and we've also delivered strong financial performance. And you've heard, and I just mentioned a few seconds ago, I mean we've done a lot of the heavy lifting; and over the next one to three years, we expect to see the benefits of our investments.

Strong internal partnerships have contributed to our success and we expect to maintain that momentum. We'll continue to look for acquisition opportunities in high-potential markets. So since 2009, we've increased our contribution to BMO's revenues from 17% to 22%, and we can see that Wealth Management increasing by another 5% in the next five years. We in Wealth Management have a big 30 we are striving for here. So, by growing our distribution, collaborating with our partners, delivering innovative products and services, expanding our global footprint, we're poised to build on our growth trajectory.

So, thank you for your time today. And I'll now turn things over to Frank Techar.

Frank Techar ***- Bank of Montreal - COO***

Thanks, Gilles. Thanks, Gilles. Home stretch, I've only got 20 or 30 more slides to go through for everyone.

Look, I hope you have an appreciation for these two businesses and the power that we think is embedded in the businesses and the strength of the leaders and our confidence in moving them forward. It's been a good day for us. As you can imagine, preparing for something like this, you get the opportunity to examine some of your long-held beliefs about your own businesses. And so it's been good for our teams to do that and I think in reflecting over the last few days, everybody would come to the same conclusion -- everyone has come to the same conclusion that we're more excited about where we are and what we've accomplished over the last few years than maybe even we thought before we started preparing for this. So, I hope you have an appreciation for that after spending a few hours with us. I want to say thanks for that. Thank you for spending some time. And I do just have a couple of comments, just key takeaways for each one of the businesses. They've been said before, but just to wrap up.

In Canadian Personal and Commercial Banking, we do have a strong foundation and we have renewed the business platform in many of the areas of the business. We have multi-channel points of contact and we do have some unique strategic partnerships that are really important for the business. We've focused on superior customer loyalty and growth. We're accelerating our digital channel investment and program. We are building all of these things on the back of a very high-performing workforce at this point and we do have strong operating discipline in the business. And as Cam said, over the medium term, we expect to continue delivering above-market organic growth and we hope to drive in excess of 7% earnings growth and continuing to improve our efficiency into the mid 40s.

And in Wealth Management, as you've just heard, we do have a strong track record of proven financial performance. And maybe one thing to reinforce for the Wealth business is, it's a big business for us. Over CAD800 million in earnings[1] and growing rapidly. This is a big business for BMO Financial Group and the growth has been outstanding across all of our businesses over the last few years. We've strategically invested in the business. We've grown our distribution. Our products are outstanding and we now have an expanding global footprint. And as Gilles said, we're well positioned to continue that growth over the next few years. Earnings in the range of 15% to 20% and that operating leverage target of 2% we believe are achievable.

So as I said this morning, we are a different bank today. And clearly, we're not just a different bank, but we're a much stronger competitor. We're a much stronger competitor in these businesses, and we think we have the results and the plans to prove it. So I'll leave you with that thought. Thank you again for joining us. I really do appreciate it. And until next time, we're adjourned. Thanks.

[1] On a reported basis: Wealth Management F2014 net income was $785MM