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

PRESENTATION

John Aiken *- Barclays - Analyst*

Good morning, ladies and gentlemen. Very happy to continue on the Canadian content here at the Barclays Global Financial Services Conference. For those of you who don't know me, my name is John Aiken. I cover the Canadian financial services industry here.

Very happy to have Cam Fowler, who is the Group Head of Canadian P&C at Bank of Montreal.

Anyhow, before we begin, I've been asked to tell you that Cam Fowler's comments today may include forward-looking statements. Actual results could differ materially from forecasts, projections, and conclusions in these statements. Listeners can find additional detail on the public filings of BMO Financial Group.

Of course, my commentary will be dead accurate. So, you don't need to worry about that.

Anyhow, Cam, thank you very much for joining us today. Very happy to have you here.

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

Nice to be here.

John Aiken *- Barclays - Analyst*

You've been, I guess, running the Canadian P&C Banking for, is it 18 about months now?

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

It is.

John Aiken *- Barclays - Analyst*

And, what have you seen as the environment changes? And how do you think that you and your operations are particularly positioned to respond to the challenges that you're seeing?

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

Thanks, John. Well, it's certainly interesting and exciting times to be here in the Canadian banking industry. Many are saying more change in the Canadian, probably the North American market in the next five years as in the past 50, and I don't know if that's true or it's not, but it's most certainly a really dynamic environment.

The three big things that are at play that we observe are, first, at the national level, you have a slightly lower growth environment than some had anticipated, and within that, you have several different regional economies. You have the oil-producing regions dealing with the impacts of lower oil, and you have Ontario and Quebec looking for the opportunities that will be arising or should be arising soon from lower interest, lower dollars and a stronger U.S. economy. So, that is certainly one dynamic.

Another dynamic is on the consumer side, where it's clear that banking is a digital business. Depending on where you live, 70% to 90% of the transactions are digital. And what's been interesting, I think, in the past year, is that in our market, mobile has surpassed online. That is a big difference because Canada's been a little bit slower on the adoption than many other developed countries. And so that’s at play.

Then, finally, there's the competition aspect, where there's the oft-cited Apples and Googles ready to make entry, starting in payments, but in other areas they have an interest, and then you have the smaller and nimble players who are equally interested in taking a slice.

So, the economy, the competition, and the consumer behavior, I would say, are the big changes.

What I think it does is just force the move from traditional banking to digital more quickly, and you're seeing that in the number of transactions moving to mobile. You're seeing it in originations that are moving to mobile through sophisticated automated work flow, and the better use of data and insights to

drive sales, and, probably most importantly, you're seeing it in the branch format, where people are trying to decide how many doors, how many feet, what locations, how well am I set up?
I'd say for BMO, how well are we positioned and what are we focused on? Maybe one of the most critical things is this focus on the digitization, the removal of work, and getting resources out of the back of the shop and towards the front, and moving in the branch experience away from transactional to more advice-based sales.

I use a very specific example with investors and with our teams. This notion that the filing room in the branch is literally to be converted to a room where we can meet with customers or we can take video conference or put video tellers in. This integration of the channels is probably the most critical thing.

In our own branch network we've moved pretty aggressively, I'd say, over the last few years, average footprint is 30% smaller, average capital in a branch is 20% less, and average operating cost on a branch is 15% less. So, that's an indication of where I think activity will grow.

I think in the performance in Q3 for the Canadian business, you can start to see some of these investments coming through. When it's high-change, low-growth, I think agility and customer focus are the order of the day, and you need to execute well with revenue in the mid-single-digits, with expenses improving and operating leverage improving and NIM stable and PCL stable, it makes us feel confident that we're investing in the right spots, given all the change.

John Aiken ***- Barclays - Analyst***

Well, and that leads into my second question in terms of what is your outlook for growth, and, more specifically, where is the growth going to come from within this environment where we're seeing Canada in a technical recession, maybe coming out of it, et cetera? Where is it possible for BMO to gather growth that may not necessarily be seen in the marketplace?

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

Yes, a few things. I think we were clear in the first half of the year that for BMO and for the country, the second half would be stronger than the first half was, in part because we went into the year with a different set of assumptions about what the state of play would be, and I think that's coming through. I think our results in Q3 were in line with that, where revenue was in line with the market. You started to see expenses coming in to align more with what's possible from a revenue perspective, and stability in the other areas of NIM.

My own view is that in the back half of the year, and into '16, if we can see a constructive environment in the 2% GDP-type range, my view is that this business can be in the 5%-ish revenue range, and 3%, 3.5% on NIX, positive operating leverage contributing to bank-level productivity improvements. I think that's healthy growth for a moderate environment.

In terms of where it comes from, I would say continued momentum on commercial lending, which is a big strength for us. We're the second-largest player in the Canadian market, and we really like that business for its strength and experience and diversity.

Our Cards business has tremendous opportunity. We've invested quite heavily in that in the last two years. Balances and revenue have been a little slower to come through, but the indicators over the last quarter or so make us feel that the turn is coming. I would say Commercial lending and Cards, and continued growth on the deposit side, where we've done quite well over the last little while, those against a backdrop of a little more of a continued moderation on the NIX and stable NIM is what I think will do the trick.

John Aiken ***- Barclays - Analyst***

Great. Well, before I open it up to the floor, can we get the first polling question up on the screens, please?

So, question one. What do you value most about BMO's operations? 1) Its U.S. exposure 2) Its domestic retail 3) Capital Markets 4) Wealth Management or 5) the North American Commercial Banking

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

Vote 2.

John Aiken ***- Barclays - Analyst***

No bias at all. Your vote doesn't count.

See? There you go. You get scared of nothing.

So, honestly, it's funny, actually, because I look at this, and this is what I view as BMO's strengths in terms of U.S. exposure, domestic, but also the commercial banking. We're going to talk about yours, so, I don't think there's anything, unless you really want to expand upon Capital Markets?

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

Well, that's a pretty sensible mix. Unfortunately, there's only so many points to go around, but, obviously, the Capital Markets that we have is a large and strong and well-run one, bulge bracket in Canada and good and growing in the U.S.

So no, but that's about the split that I'd expect, and I very much appreciate seeing the appreciation of the U.S. and the North American Commercial business, because those are important to us.

John Aiken ***- Barclays - Analyst***

Fantastic. So, are there any questions from the audience before I continue to usurp all of the time?

Unidentified Audience Member

Thank you. I wanted to ask if you have a relationship with Cardlytics, and then, more generally, if you have any ability to extract third-party revenue out of your customer data today?

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

Thanks for the question. We do have a relationship with Cardlytics. I'd have to check with the team to see what, if any, specific role they're playing with us now. You'll know that there are many vendors in that space, and we'll have a couple of relationships, and the answer to the second question is yes.

Unidentified Audience Member

Is there an internal view at your bank about, let’s assume that oil prices stay down at these levels for the next few years, about what that implies for consumer and commercial credit quality?

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

Okay, thanks for the question. The immediate view just is, I would say, we're quite comfortable with where we are from an oil and gas perspective. Just BMO alone, it's about 2% of our loans, 55% investment grade, and we have renewed, as we always do, our stress scenarios. We've run them at $35 and $50, so pushed them out for another year, and the outcomes of that stress scenario suggest that the PCL loss is quite manageable. The two-year average loss in that scenario was actually below our average PCL of 41 basis points. So, the BMO-specific stress in that scenario, which I think was part of your question, we think it is manageable.

With respect to the consumer, for us in the oil-producing regions, say we just focus on Alberta, it's about 15% of our personal lending book, and 15% of our mortgage book. The personal lending side, on the cards, in particular, it performs better, consistently, than the national average from a losses perspective, and in downturns has typically performed well.

Even with unemployment moving from 4.5% to over 6%, it's still low, from an average national perspective, and historically the cards have held up in this type of environment.

And on the mortgage book, it is quite a highly insured book, approaching 70%, and an LTV that's in the 60% range for the uninsured. So, I think the quality's high. We don't have particular concerns.

It is clear, though, that with sustained low prices, lives are going to be impacted, jobs will be lost. There will be some strain, I'd expect, but it's not one that we're thinking is beyond manageable, and so, we think the book holds up well.

John Aiken ***- Barclays - Analyst***

Cam, along those lines for the consumer book, have you seen any uptick in delinquencies over 2015?

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

There's really no discernible trend.

John Aiken ***- Barclays - Analyst***

Okay.

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

And, as you will have seen from our last quarter, our PCLs are actually quite moderated right now, and so, there's not a trend linked to oil and gas that you can point at.

Unidentified Audience Member

Since we're talking about oil, there's probably a few people in this room that believe some version of the great Canadian housing bubble thesis. I was wondering if you could spend a few minutes telling us what you think is wrong with that narrative? And, ideally, if you can refer to customer behavior, maybe vintages of mortgages, that would be great.

But if you can talk about what elements in the Great Canadian housing bubble narrative you think are incorrect?

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

I'll start by saying I'm not a subscriber to the narrative. The BMO book, relative to the industry, is relatively small, but it's strong and stable and has performed very well through time.

When you look across the country, recognizing there are different regional realities, it isn't obvious to me that with the exception of Toronto and Vancouver, there is any place where affordability or supply are particularly out of whack. Where there have been potential over-supply issues, like, for example, condos in Toronto, those have fundamentally been absorbed in recent quarters. Starts look like they are in line with our longer-term needs for the country, and affordability is there.

Now, although I'm less of a buyer on the large bubble narrative, I do think it's prudent that we stay pretty close to the Vancouver and Toronto markets, as we do. I think it's likely that in the medium term most markets enjoy a modest level of growth, and I hope that it is modest, and we'd expect in Alberta that there'll be some downward pressure on prices, and that's to be expected.

John Aiken ***- Barclays - Analyst***

So, as a follow-on to that, though, another concern is condo developers. Can you talk to the Bank's exposure to the condo development market?

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

Yes, I would consider it to be a moderate exposure. We are pretty disciplined underwriters in this space, and disciplined lenders, and our exposure has not changed through time. It's not elevated in any way, and we're quite comfortable with where the concentrations are.

John Aiken ***- Barclays - Analyst***

So, then, extrapolating your view on housing, which is very much I agree with, where if we're going to see housing prices moderate over the coming years, particularly if we start getting into a rising interest rate environment and having affordability match, what is the outlook, then, for the growth in your consumer loan book, considering that mortgages are the biggest piece on your book?

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

Good question. I think that the mortgage market moves in Canada between 4% and 5% for the next little while, and I think that's what we do, as well.

John Aiken ***- Barclays - Analyst***

Okay. And are you going to be able to see growth in other areas that will surpass that and augment that loan growth? You talked about the other avenues in your opening, but one area that BMO has been fairly dedicated to is the credit card portfolio, but on the flip side, I believe that you've consciously slowed down, actually, on the auto lending. Can you talk about the dynamics between those two?

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

Sure. This is a good bridge.

The mortgage performance in our business is a critical one for us, in part because we're very proud of the lead mortgage product we have, which is the innovative, and, I think, very responsible 25-year fixed. We were, as a bank and as a brand, out almost six or five years ago, with this 25-year AM, and because we think it's the responsible way to go, it has been one of the most powerful products in our portfolio, in part because it's the strongest product we have for cross-sell, and it's one of the strongest retention and renewal products that we have.

So, to your first point, my outlook, mid-single-digits, we'll be with the market with this product and what will that do in terms of other products that can help? Well, I think cards and auto are both good areas of focus.

It's taken us a little bit of time on the card side to go through the full renewal that we wanted to go through. There are many dynamics going on, on the Canadian retail and small business card market. Some are self-imposed. Some others we've gone through a new platform, new portfolio management approach.

We have new products, particularly on the premium side, new leadership team, et cetera. So, I'm quite optimistic that that's one product that can be up, pulling our overall Canadian personal lending performance up.

And then on the auto side, I think our story is quite clear in the market. We support this market, and we want to participate, and we think it's a very, very good one. That said, in any market that you participate in, you always need to be assessing your participation choices, as conditions change or as you expect that they will.

We saw length of AM and LTV and credit scores in some concentrated areas, moving in directions that weren't quite right for us. So, we made moves to pull back there.

That said, we are participating in the places that we want to. That move did cost us some asset and revenue growth, clearly, in '15. We're okay with that. That's a near-term sacrifice. Originations over the past four months have been up in the very strong double digits.

So, you'll see quarter on quarter and year on year come through on that side. And while we slowed down in those areas, we did take the time to improve some of our processes that I think will improve the experience for our sales force and for dealers and for consumers.

So, those are two areas that I think are linked, but also separate to the housing question, and important for our loan growth.

John Aiken ***- Barclays - Analyst***

Fantastic.

Before we go to the next question, can we do the second polling, please?

What's the greatest risk to Canadian banks' valuations? 1) Canadian recession 2) Canadian housing market 3) Slowing loan growth 4) Canadian employment levels or 5) weakening credit

You can say it. We know you pressed two.

Canadian recession is the big one. Well, that's actually kind of interesting, because even with my outlook, I'm not looking for a deep recession, maybe a little bit more prolonged. I think I'm a little bit more pessimistic on the near-term recovery than you are, but I don't know, Cam, can you talk about what you're seeing at the ground level in terms of the impact of this technical recession? Are you actually seeing anything with small businesses?

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

It's a good question. Technical recession it may be. We've seen contractions like this in recent years, something like 12 over the last 90. If, indeed, this is a technical recession, it feels more mild on the ground, because apart from oil and gas, you're not seeing all the usual things that come along with a technical recession. Jobs are being created. Consumer spending is up. House prices are stable or up. People are buying cars.

So, to the question about what it feels like on the ground, it doesn't feel like that. It doesn't feel like number one would necessarily be the answer, being quite sensitive, of course, to the realities on the ground in Alberta, and bits of Newfoundland and Saskatchewan.

Regardless of whether it's a recession or it's not a recession, it is a lower growth environment with contraction in some areas, and in these situations, I think the most important thing that organizations like ours can do is focus on diversification, and that is the beauty of being a large, national organization that has a set of regional realities within it.

So, where we're getting perhaps underperformance or lower expectations for growth in a place like Alberta, we have this amazing opportunity in Ontario and Quebec and linked to our footprint in the U.S. is this Great Lakes economy which is 100 million consumers and a $5 trillion GDP, with almost a third of the Canadian and U.S. work force, all right there, right in the spot that will be able to link manufacturing, low rates, low dollar, strong U.S. economy.

So, the first thing is, I think, diversification regionally, diversification by product. Obviously, we have these capabilities, and they give us an opportunity to amplify things like commercial lending growth or to do the acquisition that we just announced, the GE acquisition that we just announced, last week in the U.S.

The other thing that I would say is, the relationships between your groups is another big opportunity. We have the second-largest commercial bank in Canada, and we have a really strong commercial lending capability in the U.S.--13 consecutive quarters of double-digit growth in that lending business in the U.S.-- and linking those two things up more optimally and more thoughtfully in the last couple of years, as we've done, has led to the flow of something in the range of 150 customers, north and south, that we wouldn't have done before.

Similar examples are true on the Wealth side, as well, where we transfer $12 billion between the Retail bank and the Wealth business to ensure that we're getting the right customer in the right place for the right treatment.

So, I think using your diversification by product, I think, by geography, using it north/south, breaking down silos so that you're providing maximum capabilities to all customers, and then finally prudence on the expense side, making it sort of possible to ensure that you can, in an enduring way, run your business on a more efficient basis, because when your costs are low and your capital is strong, you put yourself in a position to take advantage of discontinuities, like, for example, the GE deal.

John Aiken ***- Barclays - Analyst***

Fantastic.

Unidentified Audience Member

Outside of oil and gas sector, are there any kind of areas of the economy, where the actual recession word is relevant at the moment? Or what would be the other concerning areas of the economy at the moment, outside of the energy sector?

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

Well, the one that I would point to, that one that you need to keep in mind is just the overall health of the Canadian consumer, and what we all want from this exercise is, you know, sustained moderate growth through time.

Household debt levels are rather high, and that's why I think it's appropriate that the outlooks that we have for the next year, two years, three years, are perhaps more moderate than what you've seen in recent years in that Canadians are continuing to borrow as responsibly as possible.

Jobs and incomes continue to grow in a healthy way, as they are, and house values continue to grow in a sensible way, as I expect that they will. But at the same time, borrowing is done in a responsible way, which takes us back to the topic of the mortgage and the shorter amortizations so Canadians can get debt-free sooner and save for their retirement, et cetera. But I think the household health is another topic that we all need to keep an eye on.

Unidentified Audience Member

I'll stay on theme here, which probably doesn't surprise you. Obviously, when oil and natural resources prices fall, there is not an immediate and catastrophic impact on the companies who are involved in those industries. They have hedges. They cut employees over time. They reduce CapEx.

What is your timeline of the evolution with oil under $50, and obviously, things extremely strained in Alberta, given the quality differential? And how does that flow through to the local restaurants and local hotel, to the owner of a commercial building, and in what timeline should you be looking at that, because I think we all understand things don't happen on Wall Street or trader time, they happen over the course of months and years as hedges roll off and the reality sets in?

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

Good question. I'm not an oil and gas expert. I've watched one or two of these things happen before, as I'm sure, have others in the room, and it's difficult to gauge.

I had the opportunity to spend Friday and Saturday last week in Calgary with a lot of CEOs in the oil and gas industry, and the sentiment was what I expected it would be, which was sitting on hands, patiently waiting and seeing for what's to come. I don't think that there's a scenario where people are expecting an immediate and large change, but there was a degree of patience that I felt, that I expected, and I see the same thing a little bit on the ground with the teams.

I think you'll see this, there will be an impact. There is no question. You've seen activity come down. We'll start to see it over the course of the next several quarters, I'd expect. And in our own book, I would expect that the place that we'll find it will be in the auto and in the cards, but not in the next couple of quarters, I wouldn't expect.

Unidentified Audience Member

The guys you're speaking with are not going to be, you know, tell you how they're suicidal, right, and they're going to shut down their business, but they are going to have their game face on. Reading between the lines and for the smaller businesses probably more directly impacts you. There are a lot of industries right now that are under strain in Canada. I clearly don't need to tell you that, from paper to metals to oil.

How is that going to be felt beyond those immediate industries?

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

There will be jobs lost. There will be small businesses that suffer. There will be difficulties on the credit side, to some level, but there just isn't currently an indicator right now that says this is going to be meaningfully different than cycles that we've been through in the past.

In the scenarios that we've run, which are based, I think, on, well, 200 years of history and very strong and disciplined lending practices in the region, suggests there's a way through this one that's manageable.

John Aiken ***- Barclays - Analyst***

We've got one up front, please.

Unidentified Audience Member

Cam, can you talk about the extent to which the manufacturing base in Canada has been shut down and is either slow to restart or can't be restarted at all? Because a lot of capacity left the country when the CAD was strong. We're told that now that it's weak, this is going to benefit the manufacturing base, but to the extent that it's gone and it's not coming back, that's going to be a much smaller benefit than it might be otherwise.

Can you discuss that?

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

Yes, it's hard for me to quantify exactly what's going to happen, and what any migration on the manufacturing side in the past means for right now, but what is clear is, there is more energy, and I think small business opportunity going on in Ontario and Quebec, and regions that have exposure to getting started and some of these tail wind benefits that we expected to come through, to come through.

So, difficult to say what exactly will happen, but what I do feel is being positioned in such a contiguous position as we are with Ontario, Quebec, and our six Midwest states, we feel well positioned to benefit from it.

I think I'd leave it there.

John Aiken ***- Barclays - Analyst***

Before we take the next question, can we go to the third and final polling question, please?

Which areas of the business do you think BMO should expand and possibly make an investment or acquisition in? 1) Expand U.S. retail banking footprint beyond the U.S. Midwest 2) Broadening Wealth Management capabilities in Europe and Asia 3) Strengthening the Bank's domestic retail banking footprint 4) Bulking up its Capital Markets platform or 5) Greater diversification through other avenues, such as Insurance

We know where your vote is.

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

Those are all good.

John Aiken ***- Barclays - Analyst***

Okay. We'll skew the results and give it to Bill and saying it was number three. So, our retail banking footprint beyond the U.S. Midwest. I don't expect you to necessarily comment on that. But following on the previous question, Cam, in terms of commercial lending within your operations, we keep on hearing about you and all your competitors saying this is one of the avenues for growth.

How is the competition shaping up in that? Are we seeing it in pricing? Are we seeing it in covenants, or is just everyone still playing fair?

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

I would say it's probably somewhere in between. It is a healthy but competitive environment, and I expect that we will, over the next four quarters see that continue as there may be some uncertainty in some parts of the country with respect to where they should be investing and growing, et cetera.

So, I think that there will be expanded competition. I think the players that you'll see do well over the next little while are the ones with the broadest capabilities who can move between commercial real estate and Ag., oil and gas, services. Those are the ones that will do best.

There isn't one particular competitor that you feel is being the most aggressive nationally. Everyone's picking their spots to bulk up capabilities where they think they can do better than what they're presently doing, based on their own view of what's out there.

May I just say one thing on point number one, expanding U.S. retail banking footprint beyond the Midwest?

John Aiken ***- Barclays - Analyst***

Absolutely.

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

We're quite pleased with the acquisition that we made of the GE Transport business, and it was, as I've said before, an opportunity for us to build upon our commercial strength in Canada and a really strong commercial footprint in the U.S. And we've been pretty disciplined acquirers in the past, where our strategic needs around strategy, finance, and culture are met, we'll move, and that's exactly what happened in this case with GE.

We like it because it lines up well with some other capabilities that we have around equipment finance. So, we feel like know the business. It's well aligned, and our priority number one is to work on integrating that and making it as profitable a business as we can.

But we continue to be focused on opportunities to tuck in and expand that U.S. capability. And then beyond that, obviously we've been pretty clear that expansion and growth, organic expansion in Wealth, organically and inorganically, is a top priority for us and we've been quite, I think, acquisitive on the inorganic side in Wealth, in particular, with a focus on Private Banking and Global Asset Management, we'll be watching to do that.

John Aiken ***- Barclays - Analyst***

Any from the audience? I'm sorry, one more up front.

Unidentified Audience Member

How much do you guys on the Management Committee discuss and worry about the disinflationary forces in the world, especially given the relatively low capital position, globally, for the Canadian banks?

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

Well, I think now more than ever as a leadership team, and, indeed with the Board, we spend, I'd say meaningfully more time on macro topics and the things that are at play in the world that could have an impact on our performance and our ability to control our destiny.

I think that's true on some of the macroeconomic forces that you lay out, and it is true in other areas, as well, including the potential threat of new entrants in the market, for example.

And so, it's a different time, so it's a slightly different approach, I think, to leading at that level. But I think the most impactful way is to keep everyone together and quite current on the big topics.

I guess we'll leave it there. I think you were going to ask another question.

John Aiken ***- Barclays - Analyst***

I characterize this as a little bit unfair, considering the interest rate environment may change this afternoon but for your operations, a little more dependent on what the Bank of Canada does, and we've seen two rate cuts so far this year. Have you seen the full impact on your operations margins, and from your standpoint, have these rate cuts actually generated any stimulus?

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

That's a good question. I think it's early days to say whether it's generated stimulus. You'd expect a move, two moves like that, to work their way through the system. Through time, there will be sectors that benefit more than others - manufacturing, auto, aviation, equipment, parts, tourism, and maybe there's some of that in the manufacturing numbers that we've just seen, maybe. But we see it as a positive, to be sure.

I think you have seen the impact of it in the Canadian book, and for us, those moves are basically modestly positive. There's a little bit of upside in the Canadian Banking side, and a little bit of downside on the Wealth and the Retail Brokerage side. And so, that nets slightly.

So to me margins are where they're going to be. I think that they're relatively stable for the next few quarters. I think that our expectation is that rates in our country stay relatively flat for the next period of time, and when they move, it's likely a moderate move up.

John Aiken ***- Barclays - Analyst***

Maybe we have time for one quick question. Well then I guess it’s left up to me. Cam, we've heard a lot about Canadian banks talking about disrupters coming into the market, and all the various investments in FinTech, et cetera. How is BMO approaching these potentially very disruptive factors?

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

We, like others, are really focused on the topic. Payments are the main area that I think gets the most amount of attention, and I think that's probably right.

I would say our approach on this one is balanced, though, because you need to be doing two things at the same time. Beyond the hype and the talk is a reality that payments are critical in the Canadian banking landscape. It's where the relationship hinges in terms of safety and security, and our customers that have payment relationships with us tend to stay longer and do more with us. So, it's critical that we defend and build upon those payment relationships.

But priority number one needs to be the running of the core credit card book. For us, that's a $9 billion asset we have, with strong margins, with strong client relationships. We have great partner relationships; largest MasterCard issuer, largest AIR Miles. We have Shell. We have Sobeys.

So, this ecosystem that is involved in running the business is the first and most important thing to maintain, because there are a few scenarios where you can anticipate a new tech player in the payment space, whether it's Apple or Google or others, meaningfully moving the volume of transactions over the next five years. You don't see estimates that are particularly beyond 5%, for example.

So, for us, focusing on the core business at the same time as you get yourself prepared for a move that is coming, the only question is when, is the critical thing. And there's two points I'd make on that. The first is, I lead our North American Payments business, so, I have the benefit of learning from our Apple Pay experience in the U.S., where we're live and have been for several months, learning about consumer behavior and merchant behavior and issuer behavior to ensure that we're well positioned to learn from that experience and do better when we're live with it in Canada. That's one thing.

But the second thing is, I think, to not be too caught up on the fanciest, flashiest application you can come up with in the payment space, but to stay focused more on, first and foremost, security. No transaction can be less secure than that which you have with your chip and PIN card, number one. But number two, to make the move to digital payments a meaningful one, beyond security, there needs to be some combination of value and the removal of friction. And so, for us, the mobile banking component of that one, that example, would be Touch ID so you can sign in to your mobile banking with BMO on your Touch ID. We're the first Canadian bank to do that. That's important because security is up, and convenience is up. That makes sense. It gets a lot of usage. It gets a lot of praise, because it's sensible.

Or, we have an integrated Investment and Banking app on tablet. We're the first Canadian bank to do that. We bothered with that because it removes friction. You're not toggling between apps. There's value in being able to see everything together on your mobile device.

So, we're quite focused on making sure that we protect and grow the core, with a focus on premium, and when it comes to digital payments and dealing with new entrants to the market, that we are focused on security first, and then, real value-based friction-removing applications, and we're looking forward to the change. It's a good evolution.

John Aiken ***- Barclays - Analyst***

Fantastic. Well, it's a good note to leave it on. Cam, thank you very much.

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

Thank you.

John Aiken ***- Barclays - Analyst***

Appreciate it.