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CONFERENCE CALL PARTICIPANTS

John Aiken *Barclays Capital - Analyst*

PRESENTATION

John Aiken - *Barclays Capital - Analyst*

Well, ladies and gentlemen, thank you again for joining us today. Very pleased to have Tom Flynn, who is Chief Financial Officer of BMO Financial Group. This is not Tom's first time being stuck up on stage with me here. Tom, thank you very much for joining us.

But before we start off, I've actually been asked to tell you that Tom's comments today may include forward-looking statements. Actual results could differ materially from forecasts, projections or conclusions made in these statements. Listeners can find additional details in public filings of BMO Financial Group.

And with that, we're off…

Tom Flynn - BMO Financial Group - Chief Financial Officer

Thank you. It's good to be here. This is a great conference. I'm happy to be up on the stage with you once again.

John Aiken - *Barclays Capital - Analyst*

Thanks, Tom. I have to congratulate you on what was a very strong third quarter, and some fantastic results. In my opinion, though, what we saw was actually quite striking in terms of the strength of the quarter. And it was, from my standpoint now, predicated on the diversity of your operations, and what BMO has been able to build up.

But you look at your cross-border retail banking platform, exceptionally strong capital markets. And we saw an increase in wealth management with the inclusion of F&C. How does BMO manage the portfolio of businesses in terms of intermingling of capital allocation, and what you see as the relative outlooks and challenges along each of your segments?

Tom Flynn - BMO Financial Group - Chief Financial Officer

Okay. Thank you for the question and the comments on the quarter. We did think that we had a good third quarter, and really, a good third-quarter in a series of good quarters over the course of the year. Our underlying operating earnings[1] were up at about 12%, if you exclude the impact of very low credit losses last year and the interest rate sensitivity that we've got in our insurance business. And more importantly, as you said, we had good operating performance in our businesses. And we think we've got good traction in those businesses. And I'll roll through them one by one.

Overall, from a mix perspective, about 75% of our revenue and income is coming from our retail businesses, and around 25% from capital markets, and that is a mix that we like. Over time, we've worked to have capital markets at about that level of contribution in the overall group. And looking forward, we would expect to continue to have it in that kind of a zone. And we're happy with that kind of a mix, and do believe in the virtue of diversification. We've got four main business groups, and I will roll through them here, and give you a little flavor on the quarter and the outlook that we see.

The largest business is Personal and Commercial banking in Canada. That business represents around 45% of our total income. We've had a series of good quarters in that business over the last year. In Q3, our revenues were up 6%. Our income was up 8%; and our operating leverage was above 2% for, I think, the fourth quarter in a row.

1 - Underlying earnings calculated as adjusted net income excluding impact of credit-related items on the purchased portfolios and long-term rates on Insurance

So we've had a very good track record of driving revenue growth above industry average, balance sheet growth, and generating operating leverage in the business, which reflects a lot of good and hard work that we've done over a period of time. And looking forward, we do think that we will have some slowdown in the personal segment in the industry, which will have some impact on us. But overall, we think the basic momentum that we've seen in the business will continue over the balance of this year and as we head into next year.

The second business I'll talk about is U.S. banking, and this business represents around 15% of our net income. We increased the size of this business significantly in 2011 with the acquisition of M&I. A bit of a different story in the sense that U.S. banking, as you know well, has been more significantly impacted by the downturn than Canadian banking. The U.S. banking business had positive revenue growth year-over-year, positive income growth, and positive pre-tax, pre-provision growth, albeit in all cases at a modest level.

I would view this business really as troughing after having gone through, with other banks in the industry, a fairly difficult patch. We expect the business to slowly pull out of the trough heading into next year we hope, helped at some point by higher interest rates. We have been hoping that for some time, but it feels like the prospect of higher rates is a little closer sitting here today than it has been over time.

In the U.S. banking business, we have really done a great job, I think, growing our commercial business. We've had solidly double-digit loan growth in that business for well over a year. In the last quarter, the growth was 18% year-over-year in the core C&I portfolio. And that growth, which is above average, reflects the fact that both M&I Bank and Harris Bank had a strong commercial banking business that was really the strongest part of their business.

And so together, we've got a real powerful force in the Midwest market, very good leadership, and we are doing good things to drive the growth. And we expect continued good performance, not necessarily at the same level as Q3, but continued good performance.

And over the course of the last year, we've had a reasonable degree of margin pressure in that business. It's being driven by competition in the commercial space and the lingering impact of low rates. The good news is that we do see that margin pressure beginning to moderate.

So, in Q3, the margin was down by 3 basis points. That was in line with our guidance of down 2 to 4. And heading out into the first part of next year, we're expecting similar pressure on the margin side. And as you know, it can move around quarter to quarter. But generally, we think, given that the commercial landscape is still pretty competitive, and there's some tail to the impact of low interest rates, we will be looking at margin pressure in that business into at least the first part of next year.

The third business is Capital Markets. Capital markets had a strong Q3, with income above $300 million; second quarter in a row at that level of income, benefiting from better corporate confidence, good markets, and in particular in Q3, good equity performance and better M&A revenues. And we characterize income in capital markets when it's above $300 million as being good. And so that's a good quarter, probably an above-average quarter; and again, reflected favorable market conditions and corporate confidence in the third quarter.

Looking forward, August is traditionally a slower month, given holidays. It does feel like people have come back in September ready to do business. And so we feel good about the environment that we are dealing in now after a typically slower August season.

And in our Capital Markets, we've added resources to the U.S. business over a period of time; strengthened people in our firm and strengthened the alignment between different parts of the firm. And with that, we've had good growth in the U.S. part of the business, which represents around one-third of our capital market business. This is a mouthful, but year-to-date, year-over-year in U.S. dollars, our capital markets business is up 25% in net income. That's good traction in that part of the business.

And in Canada, the market is well-banked. It's competitive. And we do well from a share perspective, but it's harder to drive significantly above average growth, given the competitive nature of the market. And we do think our US strategy gives us an extra dimension to growth that some of the other banks don't have; and, importantly, makes us more relevant to our Canadian Investment banking corporate clients who do business in the US. So there's both an offensive and a defensive element to that part of our strategy.

And then lastly Wealth Management, which represents around 23% of revenue and 20% of income; included for the first quarter in Q3 the acquisition of F&C, which is a UK-based asset manager. And that acquisition contributed about 10% to Wealth Management results. We had a bit of noise in the Wealth segment year-over-year, because we have an insurance business in Wealth that has a sensitivity to interest rates, and we basically mark our policy liabilities to market every quarter under IFRS accounting.

Year-over-year that produced a $64 million negative swing in net income, as we had about a $40 million pickup last year, so income was high in Q3 of last year, and a $20 million hit this year, reducing the reported growth in the segment. If you exclude that and look at organic growth, we were up 19% year-over-year, benefiting from traction in the business and as well, again, pretty good markets and better AUM flows and higher retail activity.

So, long answer to your first question, but it was a large question. I'd sum up by saying we feel good about the operating momentum that we have in the business most importantly, and felt good about the overall earnings level in the third quarter.

John Aiken - *Barclays Capital - Analyst*

I'm personally quite pleased with your outlook for the capital markets in September and October is good. Tom, you touched on this in your answer, but BMO has actually made several acquisitions over the last little while. But M&I and F&C have been the most significant recently. Outside of ampersands in the title of the acquisition, what does BMO look for? And has that approach to looking at targets in acquisitions changed as the regulatory environment has changed?

Tom Flynn - BMO Financial Group - Chief Financial Officer

So a few things, when we talk about how we think about acquisitions we have been saying for probably a decade that we look at strategic fit, financial fit and cultural fit. And we'd still think that that's a pretty good way to think at a high level about how we want to grow the business. And each of those dimensions is important.

And so, number one, you want to make sure that you buy a business that you have confidence you can manage, that fits with your existing business, and lines up with where you want to dedicate resources as a firm. And those things speak to strategic fit. And we think we've done a good job of that over time.

On the financial fit side, I think for some investors, maybe many investors, acquisitions are a double-edged sword. It helps you grow the business, moves the business forward, but there's risks that you do a transaction where you pay too much or you take on more risk than is advisable. And we have tried to be disciplined over time on the financial side. And the best example of that, that I can point out, is that for a number of years, pre-downturn, we talked about growing our US banking business more aggressively, including through acquisitions.

And we did do some smaller transactions, but we passed on some larger transactions that would have passed our strategic and cultural fit screens, because we didn't like the financial returns that resulted from bank valuations at that point in time. And we took some heat for being less aggressive in pursuing our US banking growth strategy than some other banks. And that wasn't necessarily pleasant at the time, but we had the conviction that it was the right thing to do.

And so, I think we've demonstrated that we have the ability to have a clear strategy and to be disciplined about executing it. And then lastly, people need to fit at the acquired firm within the broader organization. And I think we do a good job and have a good reputation as it relates to integrating people.

So that's, at a super-high high level, how we think about it. From a business mix perspective, we have been saying for close to two years now that growing in the wealth management space is the main priority for inorganic growth. The acquisition of F&C was consistent with that. And that is a shift from where we would have been years ago, where the focus was more on US banking.

And given the acquisition of M&I, which doubled our US Midwest Bank, we think we've got critical mass in the Midwest market that we compete in. We'll look at smaller, bolt-on type acquisitions over time, but don't feel the need to do another large acquisition in that market. And, in fact, want to make sure we've got our people taking advantage of the investments that we made in the market, given that the market environment is better from a growth perspective. And so we want people to be focused externally on the markets in organic growth at the current time rather than focused inwardly on integration.

In part with that, and in part given the desire to grow the wealth business which is higher growth, lower capital and high return, and at our firm we think well-managed, we have been focused on wealth management, and more specifically, asset management and private banking. Our track record of integrating firms acquired in that space has been good. We have done, I think, a pretty good job of keeping the people at firms that we've acquired, and keeping the clients, and then growing off of that base.

Gilles Ouellette, who runs our wealth business, was at a firm that was acquired by the Bank a long time ago now. He has lived through an acquisition from the other side of the table, and with that is a good ambassador for the broader organization as we talk to people about potential transactions. So, that would be how we're looking at things currently. And we try to be reasonably clear about our intent, and think that we did that with the F&C acquisition over a period of time leading up to it.

John Aiken - *Barclays Capital - Analyst*

Before I throw it open to the audience, I think we are going to start off, kick off with our first polling question, please.

So what is the most attractive feature of a Canadian bank?

One, stability of the Canadian banking environment and economy; two, compelling dividend yield with increasing dividends; three, rational oligopoly with exposure to global economies; four, the universal banking model; or, five, the strength and consistency of strategies and management teams?

You were going to press five, weren't you? (laughter)

Tom Flynn - BMO Financial Group - Chief Financial Officer

Totally objective.

John Aiken - *Barclays Capital - Analyst*

And the results are: 50% for the stability of the Canadian banking environment and economy.

Tom, would you mind touching on that, in terms of how you feel that the environment or the economy benefits? Not just from your operations, but the group as a whole?

Tom Flynn - BMO Financial Group - Chief Financial Officer

Sure. You know, the Canadian economy does feel stable right now. And it's in what I would call post-downturn, new normal kind of a recovery with solid growth but more modest growth than we've experienced coming out of recessions previously. And the economy is certainly benefiting from low rates and, over the last year or so, a lower Canadian dollar.

And then we had a change in the Governor of the Bank of Canada some time ago. And since that change, we've had the Canadian dollar depreciate by -- not a huge amount, but a non-trivial amount, at the same time. And off the back of that, we've seen a pickup in the commercial part of the economy and an increase in exports. And that activity is trying to help shift demand in the economy away from the housing market and towards the business segment. And I think there's been success with that part of the policy that has been implemented by the Bank of Canada.

Overall, consumer confidence is at a reasonable level. And Canada does have a big export relationship with the US. The US economy is doing better than it has been doing. In our business, we're seeing better conference on both the personal side and the business side than we have seen in some time. And we are big believers in the power of that to drive activity.

So, the US economy feels like it's in pretty good shape. Consumers are still obviously somewhat cautious and, in places, in a deleveraging mode. But confidence is higher than it was, and that helps the Canadian economy. So, the overall economy is pretty stable.

The banking system, as you know, has been rated for a number of years as being the most stable in the world. We are, I think, as a country, proud of that. We work hard to maintain that. And we operate with high levels of capital, good liquidity positions and, I think, have a constructive relationship that exists between the different participants in our system, on the business side or the regulatory side. And being in a position where you can have constructive dialogues, at times disagreeing, but at least good, full, open communications, I think, is an asset to the system.

John Aiken - *Barclays Capital - Analyst*

Great. Well I've talked for long enough. Are there any questions in the audience?

Audience Member

There is frequent chatter certainly about the leveraged consumer in Canada and the overheated housing market, is that a story which is a concern to you? Or has it been overhyped and overplayed in the media?

Tom Flynn - BMO Financial Group - Chief Financial Officer

I would say we are mindful of where consumer leverage levels are. And they are high, for sure, by historical standards. And the housing market has had a good run. And so we are aware of those facts. We've made changes in the way we are managing the business, given them, but we are not alarmed by the current state of affairs, either. And I think at times, the media has painted a picture that is gloomier than we see.

We have been promoting, actively as a bank, mortgages that have a shorter amortization period and, in particular over the last number of years, a 25-year amortization mortgage product, which is designed to help consumers pay off debt more quickly. And also, given the impact of a shorter amortization on their monthly payment, lowers their capacity to buy a more expensive house. And we think that's a responsible product, and we've been active in promoting that, given the concerns that do exist around the Canadian housing market.

We do think, given the growth that we've seen over the last 5 to 10 years in consumer leverage and the housing market, that growth over the next few years will be lower. And we think that's a good thing for the consumer, a good thing for the economy overall. And so, our expectation is that the market growth rate will revert to something in the order of nominal GDP over the next few years, after having run at much higher rates off the back, in part, of lower rates.

So, as we think about it, there's a bit of a growth impact as the economy adjusts. We think that's healthy. We are supportive of it, but we are not particularly concerned about things from a credit perspective. And I think, as most of you well know, the structure of the Canadian mortgage market is really very different than the structure of the US mortgage market. And Canadian banks don't have exposure to mortgages above an 80% loan to value. We do underwrite some mortgages above that level; but when we do, the mortgage is fully insured and the insurance is backed by a crown or government corporation.

And so, that's a big difference structurally from the US market. And we also don't underwrite home equity loans above an 80% loan to value. So, structurally, the industry is very meaningfully less at risk to a downturn in the housing market than most other jurisdictions would be. And we are happy to have it that way, but we don't expect a significant downturn, at the same time.

And if you look at debt service capacity and house price affordability, we are actually not outside of historical norms, given low rates. And so there is something of a vulnerability, obviously, to meaningfully higher rates. But the prospect of that happening seems pretty remote to us sitting here today.

John Aiken - *Barclays Capital - Analyst*

Tom if you can, following on to that, touch on your days as a Chief Risk Officer in terms of the stress testing on the Canadian P&C portfolios, commercial as well as retail. I know all the banks run various scenarios. What is the largest critical factor in terms of creating an uptick in credit losses? From my standpoint with the numbers that we've run, it's not interest rates; it's largely unemployment.

Tom Flynn - BMO Financial Group - Chief Financial Officer

Yes. Unemployment is the largest driver of higher losses. We do extensive stress testing, as you would know, and stress the portfolios in a variety of ways. When you shock the economy and have a significant recession, double-digit unemployment, and maybe or maybe not add on higher interest rates, your losses go up and they go up very meaningfully.

The capacity to withstand loss at our Bank and in the industry is pretty high, given the ROEs in the business. Our ROE year-to-date is running just a little below 15%. So, there's an expression that your best prevention against loss is to have a high level of pre-tax, pre-provision income; with a 15% ROE, we do have that and the capacity to absorb a lot of loss.

In the stress testing, the mortgage portfolio doesn't throw up really significant loss, given the structure of the industry. When you stress the things that I talked about and have housing down meaningfully, losses obviously go up. But the structure of the portfolio means that they are banded by a certain level.

None of that is to suggest that we don't have credit risk. And obviously, we do have credit risk. And the bigger the stress that you throw on to the balance sheet, the bigger the losses that result. But given high capital levels and the high pre-tax, pre-provision income base, we think there's a good and very strong cushion to absorb the loss that you can produce under different scenarios that you run.

Audience Member

Do you all have a target in terms of where you would like to see U.S. assets get to as a percentage of total assets in, say, five years?

Tom Flynn - BMO Financial Group - Chief Financial Officer

We don't have an explicit target. We talk about being happy with diversification and looking to grow the U.S. business. We've shied away from hard targets because we think they can drive you to do things in the pursuit of a target that might not make as much sense; you know, it's something you'd rather do because you want to hit a number that you've gone out publicly with.

So, we are expecting the U.S. businesses to grow meaningfully. We've invested in them over the last five years. We think we've got good organic growth potential in the business, and particularly so with an improving economy. I'd expect over time, growth at or a little above the rate of growth of the overall company. But we don't have an explicit target.

Audience Member

And can you also touch on the regulatory environment in terms of M&A, how you are seeing it today?

Tom Flynn - BMO Financial Group - Chief Financial Officer

I think it's pretty clear that the regulatory environment generally for the industry is tougher from an M&A perspective than it used to be. There has not been a significant amount of M&A in the banking landscape for a period of time. That's partly because banks have been working on strengthening risk and compliance systems, investing in technology, and looking to grow organically.

As we look at our business, the main focus coming off of a very significant acquisition is on being in the market and growing organically. Given that we've doubled the size of the business in an acquisition just about three years ago, we are happy to be focused on organic growth and do see a lot of opportunity for that in the business.

Audience Member

Could you just give us some of your thoughts on the debt proposal that was recently released with your potential 17% to 23% of debt capital in the stack, and your initial thoughts on that?

Tom Flynn - BMO Financial Group - Chief Financial Officer

Okay, sure. So, just for people in the room who aren't as familiar with that, there's a proposal from our Department of Finance to add a layer of what's called bail-in debt to our capital structure. So we would have common equity, non-common Tier 1 sub-debt, and those things totaling around 13%. And then a layer of bail-in debt on top of that, that it was proposed would run to, in total, 17% to 23% of risk-weighted assets.

And the introduction of bail-in debt is intended to bail in a class of senior creditors when an institution ceases to be viable. And that's an attractive thing to do from a government perspective, because it reduces the risk that taxpayers are in a position where they are putting money into a bank that has failed.

So, from our perspective, it makes sense to introduce bail-in debt. It's one of the reforms that the Financial Stability Board has talked about wanting to see introduced globally. The industry has been in discussions with the official sector for a number of months on the topic of how to structure bail-in debt. And those discussions are continuing. And there was a paper that people will be submitting comments on by September the 12th. And so, we would expect, over the next number of months that the structure of the bail-in debt will be finalized and it will be introduced to the capital structure over time.

We are not expecting it to have a significant impact on the business. If there's a cost impact, we don't think it will be significant. And really, what we are doing is making explicit what was previously implicit. One of the things I say -- and I probably shouldn't say it, but -- we have been paying a credit spread to senior creditors for a long time. And we pay that because people take risks.

And so, just formalizing the nature of that risk, I think, is a reasonable thing to do from a system perspective, given the experience that occurred during the course of the downturn, where different capital providers who were paid for risk didn't experience loss when institutions ceased to be viable. And introducing reforms to address that makes sense to us.

John Aiken - *Barclays Capital - Analyst*

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

How do you view BMO's acquisition of F&C? And don't take this personally...

One, very positively; two, modestly positive; three, neutral; four, modestly negative; and five, very negative.

Don't press five, please.

Largely overwhelming neutral, but then the bias is to the positive.

I'm not going to ask you to go through the F&C acquisition. I think that BMO has done very well, and I'm actually personally a little surprised that it wasn't more positive after what we saw in the quarter; we started to see some momentum on that front.

Do we have any other questions on the floor?

Audience Member

The debt proposal appeared to have been the cue for the rating agencies to put negative outlooks or watch lists on your debt ratings. I'm wondering how you feel that will shake-out, and secondly, will any increased amount of issuance of debt be significant and possibly cause a widening in your spreads, from your perspective?

Tom Flynn - BMO Financial Group - Chief Financial Officer

So a couple things. On the rating agencies, both Moody's and S&P put the ratings for the Canadian industry on watch, given the development. And in the ratings methodology that both of those firms use, they assume some level of government support for the institution at the senior level. And so, government support is baked into the rating under the methodology for senior debt.

And I would say it's not clear how the ratings at the end of the day will be impacted. And when you look at, as we would see it, Canadian bank ratings relative to ratings for banks and other jurisdictions, we think the current ratings more or less make a lot of sense. And you can come at ratings in a variety of different ways, but we think the income streams that the Canadian banks have are strong; the ROEs are strong. The system has a good design to it. And so there's a lot of inherent credit strength in the industry. And that's reflected in the ratings today.

And it doesn't make sense to us that that would change in a significant way. The rating agencies have been clear that they want to take time to look at their methodologies, which are structured and involved, and think about the changes that come with the bail-in structure to decide what the net impact is. And my expectation is that they will take their time doing that so that they are sure that, in their minds, they get it right.

In terms of the change in spreads, we are not expecting a flurry of issuance. The expectation is that we will build the layer of bail-in debt gradually over time. We will be allowed to do that, given the phase-in period that comes with introduction of the rules. So, there might be initially some higher credit spread; we don't think significant, given the more explicit nature of the credit risk. But we are not expecting an abnormal issuance pattern that results just from the introduction of the bail-in debt.

Audience Member

So going back to the bail-in, in 2008 when the banks got in a bit of trouble, you were able to issue sub-debt at a very attractive price. Now, with the conversion mechanisms, NVCC and bail-in, if you were to get into some issues going forward, do you think this will prevent you from issuing at attractive prices?

Tom Flynn - BMO Financial Group - Chief Financial Officer

I don't think it would prevent us from issuing at reasonable prices in a market environment. To me, we are making explicit what was formerly implicit. Credit risk is not a new thing to credit providers and to banks, and banks have paid a credit spread to credit providers over time, given that credit risk. So, I don't think there's a night and day change that will result from the introduction of bail-in.

Then, in addition, the Canadian proposal is that debt with an initial term of under 400 days isn't subject to the bail-in terms. And allowing for shorter-term issuance that's sort of outside of the bail-in stack reduces the risk that there's an access to liquidity issue in the markets. And I think that was purposely built into the proposal, and from the industry's perspective, is a good idea.

John Aiken - *Barclays Capital - Analyst*

Can we throw the final polling question, so we can squeak it in under the wire?

What areas of the business do you think BMO should expand and possibly make an investment or acquisition?

Expanding US retail banking footprint beyond its US Midwest; broadening wealth management capabilities in Europe and Asia; strengthening the Bank's domestic retail banking footprint; bulking up its capital markets platform; creating diversification through other avenues such as insurance?

Notice I can't just say, no acquisitions.

Wealth management capabilities in Europe and Asia -- well, you've got your marching orders.

Tom Flynn - BMO Financial Group - Chief Financial Officer

Wow

John Aiken - *Barclays Capital - Analyst*

Massively overwhelming -- 63%.

Tom Flynn - BMO Financial Group - Chief Financial Officer

Interesting.

John Aiken - *Barclays Capital - Analyst*

We're getting close. Are there any last couple of questions in the audience? You're going to leave it up to me?

Well, avoiding the obvious wealth management question, Tom one of the things that differentiates BMO is obviously the U.S. strategy. You've made the acquisition of M&I, but how do you, and do you continue to plan on competing, in terms of the retail segmentation? The U.S. market is very competitive. I'm not going to say more competitive than Canada; it's just a different marketplace. But what differentiates you? And how are you going to grow?

Tom Flynn - BMO Financial Group - Chief Financial Officer

A few things, I'll talk about banking and maybe a little bit about Wealth as well. Firstly, on the commercial side, we have been doing very well, and we would see that continuing. We talked about that earlier in the session. And some of that good performance comes from sharing best practice. And both M&I and Harris Bank have good capabilities, but not always in the same ways.

And so, if M&I was good at a particular thing, we've taken that capability and looked to spread it across the broader footprint. And we've taken ideas from our Canadian business and brought them down to the US business.

So, more specifically, as examples, we have a big auto finance business in Canada. It's a good and profitable business for us. And we've taken some of the capability from that business and people from that business down to the US, and have grown that part of our portfolio.

Similarly, we have an asset-based lending capability in Canada that we've grown over the last five years or so. Neither M&I nor Harris Bank was in that market in a meaningful way. And we've taken the know-how from Canada down to the US and have got very good traction in that part of the business.

And treasury services is an area where M&I had a good capability, and we've been selling it through the Harris part of the footprint. So, it's a form of cross-selling, taking strengths from one part of the business and bringing them to another. And it has served us well and is contributing to the good growth that we've had.

On the personal side of the business, the market generally has been slower, as you know, showing better activity levels currently than we've seen for a few years. And our client base skews meaningfully to the affluent side. And that was true of Harris Bank in Chicago in a very significant way. And it was true of M&I as well, although not to as significant a degree.

And so we've been looking to take advantage of that by selling wealth management-related services and premier banking services to higher-end clients. And as part of that, we've introduced what we call Premier Services, which is a private banking kind of a model, to our retail customers. We've got 100 premier banking sales reps in our branch network. And we are doing a good job of basically delivering more services to higher potential clients in the banking network, and, through that, driving a larger share of wallet and higher revenues.

And I would say that activity has good room to run. And we have been focused internally for a period of time on the integration. That's done. And we are focused more on the personal side, given that we are done with the integration, and the market is better on growing retail. And you will see more things with a wealth flavor around our efforts to grow on the personal side, given the client base that we've got, which, again, skews to the affluent side.

And we also have good positions in our market. We are number two in Chicago, which is the third-largest market in the US. We are number two in Wisconsin, which was M&I's home base. And, depending on how you cut it, we are number three or number four in the Midwest generally. And so we've got good positions in our markets to grow from.

And the Midwest market is a large market for us. In terms of population and GDP, the states that we are in are actually a little bit bigger than Canada. So there's a lot of market for us to grow into, given the size of the market. And the GDP growth rate is basically in line with the US average. So it's doing fine from a growth perspective, and we are seeing better activity in the commercial side of the business.

So, I'd say we feel very comfortable with our ability to compete. And we are hoping to get a little bit of help from higher rates next year. And we are enjoying the help that we are getting right now from a little better performance on the economic side.

John Aiken - *Barclays Capital - Analyst*

That's great, Tom. I think we are going to leave it there. Tom, thank you very much.

Tom Flynn - BMO Financial Group - Chief Financial Officer

Thank you very much.