CIBC 13th Annual Eastern Institutional Investor Conference
September 17, 2014

CORPORATE PARTICIPANTS

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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 will be consistent with historical experience. Material factors that were taken into account when establishing our expectations regarding the future risk of 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 Review and Outlook section of Bank of Montreal's Third Quarter 2014 Report to Shareholders.

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 Third Quarter 2014 Report to Shareholders and Bank of Montreal's 2013 Annual Report, 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, run-off structured credit activities, acquisition integration costs, amortization of acquisition-related intangibles assets, decrease (increase) in collective allowance for credit losses and restructuring costs.

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

Robert Sedran - Analyst CIBC World Markets

Our next participant is Cam Fowler. He is the Group Head of Canadian P&C at BMO Financial Group.

Cam has been in his current role since February of 2014. He joined BMO in 2009 spending time in strategy and marketing before moving to Canadian P&C Banking. Previously, he worked in the Wealth Management business of a bank in the United Kingdom.

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

So this is your first time at our conference, Cam, so welcome to Montreal and I'll give it to you to make some opening remarks.

Cam Fowler - *Bank of Montreal - Group Head of Canadian P&C Banking*

Thanks Rob. It's a pleasure to be here in Montreal. I'd say just a couple of bits off the start. We've been very pleased with the momentum that we have in our Canadian banking business. And we view these results to be the outcome of a very actively managed business.

In the third quarter of the year we delivered $528 million in adjusted net income, which was our highest quarter, which was pleasing. What I think we're focused on in this business is the fact that it was our third quarter with revenue at or above 6% and our fourth quarter consecutively with operating leverage above 2%. So those are important indicators for us in terms of the health of the business.

What I think I am most energized about with respect to where we are in the Canadian business is our balance growth. For the past four quarters, possibly six, we've been leading the market in many categories on balance growth and we see that to be a very good indicator as well for our ability to continue to grow organically at above market levels.

It's really such an exciting time to be in the industry. We're thrilled with the dynamic, what's going on in the Canadian marketplace and more broadly power to the consumer, the role of digital channels, the role of data, digital banking. It's all very exciting for us against the backdrop of the momentum we have in the Canadian business and those market realities.

We're focused in four areas. The first is our momentum. We've invested in this business, in the creation of capacity for several years now. Maintaining this momentum into 2015 and beyond is critical step number one and we're confident we can do that.

In addition to that, we have a very strong commercial franchise, which we're proud of -- strong regionally, strong nationally -- but there is opportunity for us there as well. And in light of the Canadian consumer and the potential for slightly moderated growth there, we think we're well positioned to do more in our commercial business.

The third area that we're focused on is performance management. We have amazing people in our business. We're getting stronger every day, but the bringing together of the tools and capabilities we've been investing in, in the past few years, gives us a real opportunity to do more on the individual performance side.

And then finally, as we look for new areas for growth, new areas for doing business, new ways for engaging with our customers, the digital channels and the evolution of the payments industry and digital payments are another area of focus for us.

All of those, through the lens of the customer that we're focused on, leading in customer loyalty is a top priority for us, but that's where we are investing our time now.

Robert Sedran - Analyst CIBC World Markets

Okay. You know what, those four points are a lot of the things I want to talk about today. So we're going to dive into a little bit of them. I want to start with the mortgage growth, because it has been quite strong for a while now and the market kind of reacts like you're disarming a bomb in the mortgage market right now that’s about to explode.

But I think the housing market, in my personal view, is that things are fine. So when I see the amount of growth you're putting up the question becomes how are you doing it and is it just -- is it distribution, is it price, is it a combination of those things? What is driving that growth and how sustainable do you think it is?

Cam Fowler - *Bank of Montreal - Group Head of Canadian P&C Banking*

I'll start with the last. I think it's sustainable. It is broad based growth that we're experiencing in the mortgage business in Canadian P&C. We are stronger in some regions than in others, but we're pleased broadly across the country. Strongest in Toronto, Quebec and Alberta, I would say. There's more we can and should do in Ontario, I think, but it's broad-based and it's strong.

The indicators in terms of pipelines, ratios, et cetera that are before us right now and the business, the ones that I watch, are in check. They are in line with last year. So I anticipate that we'll finish the year quite strong in the mortgage business.

I think to your point about the level of the market and where it is, I would share your view that I think the temperature of the conversation on where the housing market is, is moderating, which I think is appropriate.

The market will slow down and that's good for some of the reasons that I've indicated. In terms of re-tooling our business, investments in our platform, our performance management, we still would expect to be able to outperform the market into 2015.

I guess, just the final point on the outperformance is, we're pretty heavily focused, as you know, on the quality of the book. And what's interesting to me about ours is we are approaching a place now in 2014 where fully 75% of our mortgage book is in fixed, which we consider to be a good thing and we're approaching 70% of our book with amortizations less than 25 years.

So against the backdrop of a market that will cool but is under control, we're very confident of the quality that we're doing.

Robert Sedran - Analyst CIBC World Markets

The reason I asked the question about price is that the natural assumption is the guy that's growing the fastest is paying for it. I'm not suggesting that's the case by the way, that's the natural assumption of the market. Can you give us a sense of where you think you are in the competitive sphere, especially when you're focusing on fixed and 25-year am and all that and you have been since before the market got there? Talk about what is the market doing on pricing and what's BMO doing on price?

Cam Fowler - ***Bank of Montreal - Group Head of Canadian P&C Banking***

It's a great question. For us, like other competitors, price is a consideration, but for us it is not the only consideration. If you step back in the mortgage business several years, we declared our strategy which was a re-think of the way we want to participate in the market.

We exited the broker channel. We said we want to build up our proprietary channels in the branch and through our own proprietary mortgage specialists. We've done exactly that.

At the same time as we were doing that, we moved, as you said, ahead of the industry and the government on a focus on 25 years. We just said, look for Canadians, regardless of what's going on in the market, regardless of what's going on with respect to leverage, getting debt free sooner and planning for retirement needs to be the priority. 25 years is the right thing to do. Given interest rate uncertainty a fixed rate is a good thing to do. And then, pricing is obviously part of that consideration, but it was not the guide for that product.

The thing I think we're experiencing now that is over the past couple of years as we've become a better organization from a sales performance and customer conversation perspective, we have gained market share. We just have a great deal more confidence in talking about mortgages and home finance with our customers. So I think all those things together make me feel that it's sustainable.

Back to the initial part of your question, price is not what we lead with. There are others who I suspect probably do or consider it in other ways that we haven't, but that's how we think about it.

Robert Sedran - Analyst CIBC World Markets

So the ramp in distribution then I guess is one of the areas that's been pushing your outperformance. You've just been adding more people and training them better and all that. Where are you in that cycle? Like, are you comfortable that you have the right number of people with the right training and -- or is that still a growth -- like adding people and adding training and all that is still a growth vehicle for you?

Cam Fowler - ***Bank of Montreal - Group Head of Canadian P&C Banking***

I would say step one was out of broker into proprietary. Step two was, the product and performance disciplines that we wanted to have in place to grow and I would say that we're at the end of step two.

Step three, I think, should involve adding some distribution capability. I think we could do more on the mortgage specialist side and so I'd expect that we will increase that sales force in 2015 and beyond. We're doing so now.

Equally from a branch distribution perspective there is probably more we can do there. We've been on the same journey there over the course of three years. The key role that we have in our branch, the key relationship role, we call it a financial service manager, we have improved the productivity of that role by 11% over the last three years. So we think we're now ready to add a little more capacity in the right spots, not across the country, but in the right spots to increase distribution a little bit.

Robert Sedran - Analyst CIBC World Markets

And when you think about that market that you're planning to outperform, is it basically coming into equilibrium now something in that 4% kind of mortgage growth rate? Is there a danger that this slows even more if rates start to go up? What kind of resilience do you think there is in the growth outlook? For that we'll start with our product in particular then we'll talk more broadly about the bank.

Cam Fowler - ***Bank of Montreal - Group Head of Canadian P&C Banking***

I think directionally you are probably right with that range. I would expect us to do better than that, but I anticipate that's a reasonable place for the market to be.

Robert Sedran - Analyst CIBC World Markets

So one of the takeaways from the most recent quarter is that the overall sector in personal and commercial banking, people always say it's slowing. It feels to me more like it's normalizing. So from the perspective of a bank that's been outperforming that trend, does it feel like we're normalizing? And when you think about nominal GDP is it kind of like the area that you should be seeing from the bank, sort of mid to high single-digit growth in P&C banking, absent an external catalyst of some sort?

Cam Fowler - ***Bank of Montreal - Group Head of Canadian P&C Banking***

I think it's a reasonable range. A couple of thoughts; we do our planning on assumptions that are a little beyond what we think the market is going to do because we've invested relatively heavily in increasing the capacity of our platform over the past few years and on sales performance. So for us the productivity of the roles that we have, I talked about the financial services manager, the same is true on the commercial account side, new platforms, new performance management in those businesses. So we would expect to be doing better than the market.

I don't envisage, particularly on the personal side, any catalysts for growth as you say that would have it go beyond the levels you'd expect. One thing about that though is having a very strong commercial business is helpful at times like this. We have the second largest commercial business by share, as you know, in the country and strong regionally.

The big thing we have in that business that I would consider to be an advantage is the authority to make local decisions and we hear time and time again from our clients and our prospects that that's an advantage. And so we've been investing in the people and in the platform to make the most use of that. We have opportunities, I think by geography, we have opportunities by sector, and we have opportunities by product and specifically deposits to really get that commercial business moving. So that's how we are thinking about the next few years.

Robert Sedran - Analyst CIBC World Markets

So there is a couple of businesses that all the banks talk about. One is wealth management, we want more of that, and the other is commercial banking, we want more of that. So you've already got the more of that on the commercial banking side.

So can you talk a little bit about how you're positioned in commercial banking? If there is a specific industry focus, again a geographic focus, like where is that strength? And the demand we're seeing in the market, does that line up with that traditional strength or is it outside of that traditional strength? Like what's driving the demand on the commercial side?

Cam Fowler - ***Bank of Montreal - Group Head of Canadian P&C Banking***

Well, I think it's pretty broad based. The competition is real. It's pretty healthy and it's healthy across the country. So I think that it's fair to say the demand is there across the country.

For us, in terms of opportunity, I would say that Ontario, and specifically Toronto, and in Alberta, specifically Calgary, would be the big geographic spots. From a segment or product perspective, we can and will do more in the smaller end, so in the small business area I would expect.

And then further diversification, we're extremely strong in Ag., we're extremely strong in commercial real estate, we have great opportunities in Franchising and Health Care. And these are businesses that have come on for us quite well in the last year or year and a half, and we'd expect to be emphasizing those beyond retooling the business and putting in, as we have done, a new lending platform and new processes and some new sales capacity.

We've been pretty focused on the commercial deposit side of things. We're up in that 20% range on lending market share and we're far lower on the deposit side. So cash management and the specialists associated with making those sales, those deeper -- both sides of the balance sheet conversations with our clients is where we've been a little lighter in the past, and we're happy with how that's coming on.

Robert Sedran - Analyst CIBC World Markets

Can I ask you a fairly simpleton question which is if the lending side of the balance sheet is growing so rapidly, is the deposit side growing simply because your clients are looking to stay more liquid or like if they're borrowing, what are they depositing? It's a question I actually get asked with some frequency.

So is it just a question of the crisis has taught these commercial clients that they want to be as liquid as possible so to the extent they want to invest, they want to borrow money and yet keep cash?

Cam Fowler - *Bank of Montreal - Group Head of Canadian P&C Banking*

I think that that would be one of maybe three factors. I think that's a consideration. I think that the industry or sector that you're in is a consideration. Ag. is a good example. Money comes in, money goes back out, there are deposits associated with that.

The third and perhaps most compelling, the one you can control the most, is the quality of the conversations, the quality of the account managers that are out with the clients building relationships. And as I've said before, I'm less sure that we went beyond the loan in the past as well as we could. We have a very proud history of lending that goes back to the beginning of our Bank. But it's only been in recent years that we've been raising the consciousness of our team to move away from being lenders to being bankers again, and that I expect will bear some fruit for us.

Robert Sedran - Analyst CIBC World Markets

You talked about healthy competition. We read that as margin pressure. How have you been doing, what's the outlook and just the fact that it's a higher margin business to sustain the overall margin for your part of the bank as roughly flat, is that kind of the right outlook?

Cam Fowler - *Bank of Montreal - Group Head of Canadian P&C Banking*

That's how I see it.

Robert Sedran - Analyst CIBC World Markets

Okay.

Cam Fowler - ***Bank of Montreal - Group Head of Canadian P&C Banking***

I think that there is competition, but there is margin there and the value exchange will hold more or less where it is.

Robert Sedran - Analyst CIBC World Markets

As always, please, if anybody has any questions, feel free to throw your hand up or I'm just going to keep on going. I want to talk about expenses because you noted in the last three quarters, I guess, over 2% operating leverage.

Cam Fowler - ***Bank of Montreal - Group Head of Canadian P&C Banking***

Four quarters.

Robert Sedran - Analyst CIBC World Markets

Four quarters, sorry, a pretty healthy gap. And I wonder if how much operating leverage is the right amount of operating leverage when you think of I've got to invest in electronic, I've got to invest in the branch, I've got to invest in people. Like, is there -- should you target less in some ways to be able to keep that positive operating leverage longer?

Cam Fowler - ***Bank of Montreal - Group Head of Canadian P&C Banking***

It's a really good question and a good business problem to solve. We don't work particularly on hitting a positive operating leverage number. We are more, I think, focused on ensuring that to the extent possible, we can smooth the investments we know we need to make to maintain growth that's at above market levels. And so we've done that for the past few years and I would characterize the investments we've made in the past few years as fairly significant because they've been about new platforms as in the technology and the process.

We've replaced our core card system for commercial. We've done it for retail. We've replaced our retail lending front end and our commercial front end. We've replaced our mobile banking platform. We've done a lot of these, what I would consider to be, quite heavy metal difficult implementations which have gone smoothly for us. But we've always said we will only do those if we can absorb them in the run rate of the business and grow, at some number, grow ahead of our expenses.

The characterization of the investments that we have going forward are slightly different and that's what you've alluded to. We, like others, have to respond and be in front of the trends before us where, I think, in the future less about fully new platforms, I think a lot more about process efficiency and the things that we can do to make life easier and simpler for our customers and clients and for our employees. And as the experience goes up, the productivity goes up.

So continuing to invest in our processes is critical. And then the digital channels are another area where we're pretty heavily focused. But these are different kind of investments than the large remove a platform, take one out and put one in. These are ones where I feel if you can build a very strong foundation you can evolve quarterly with releases and get better and better and better. That helps me to smooth the spend and make sure that I can continue to drive positive operating leverage.

Robert Sedran - Analyst CIBC World Markets

Do you think there is opportunity in the existing franchise to sort of self-fund some of those other spending initiatives? In other words, are there process improvements within the Bank and just given the size of the organization, can you refocus costs on some of these growth initiatives or do you feel like a lot of the work that's been done in the last few years doesn't give you a lot of room to do that anymore and this is now incremental spend?

Cam Fowler - ***Bank of Montreal - Group Head of Canadian P&C Banking***

That's a good question. I think it is possible to self-fund. You can look at it many different ways, but I think that the balanced approach over the last three or four years that says sequence the work such that you can absorb the cost. While you're creating capacity, make sure you're overlaying sales disciplines at the same time. So you can make use of the capacity that enables you to open the jaws between revenue and cost and fund things in the future.

And because we will have a battery of things that we will want to be doing on a continuous basis that we can roll quarter on quarter and decide where we want to go, we'll have a great deal of more flexibility. So, self-funding is a great mindset. It's definitely the one that we use within our business. That said, if we can do this, we can do that and everyone is very motivated to move as quickly as we can in that regard.

Robert Sedran - Analyst CIBC World Markets

And you seem fairly comfortable that the top line outperformance, you're hoping that that momentum can continue. So is the message you're similarly confident that maybe not over 2% operating leverage, but that the operating leverage can continue as we look into 2015 as well?

Cam Fowler - ***Bank of Montreal - Group Head of Canadian P&C Banking***

I would expect we can maintain positive operating leverage.

Robert Sedran - Analyst CIBC World Markets

I want to talk a little bit about credit cards because it's a line of business that I guess we were expecting to see a whole lot more disruption than we ultimately saw. But there was an awful lot of activity around, especially earlier this year. Can you talk a little bit about what you guys did to take advantage of some of the disruption once the CIBC, TD Aerogold program was changing hands? And what kind of growth you did see and what kind of growth you're seeing in terms of both client balances and spend?

Cam Fowler - ***Bank of Montreal - Group Head of Canadian P&C Banking***

It's been, I think, by the standards of this industry quite a dynamic time and that was well timed for us in that we had made a decision a couple of years back to reinvest and get a little more energy in our payments business and specifically our retail cards. So it was well timed.

And as part of that first phase, we had brought in a new leadership team. We had made the move to get onto a new platform to run the retail and the small business cards and we had increased our focus on the premium segment.

We have a long, I think, and strong history in the payment space as MasterCard's biggest partner and AIR MILES biggest partner and we've made very good steps to grow this business. We had not through time emphasized the premium business. And so, just before the changes were unfolding, we had increased our emphasis on premium and so the disruption was a little bit helpful to that. I would say that we've been focused on the origination side. Our originations in the premium space have been at multiples of past years and so that's about what we had expected.

Good through various channels, branch channel and digital channels being the most pleasing in terms of the new origination increase. While we were doing that, I would say, we weren't as strong as we might have been on originating in the core, and so we've been working to rebalance. I mean it's been double digit originations which has been great on a blended basis, but skewed towards premium. So re-balancing towards the core as well is the priority now.

Like everyone, we anticipate there will be changes in the space and we're happy with where we have been able to get to thus far. We don't control the changes that are before us, but we anticipate given the platform we have in terms of technology and our partnerships with key players that we will be able to respond as appropriate.

Robert Sedran - Analyst CIBC World Markets

You mentioned the changes and I know you can't quantify anything. We're talking about interchange, I gather, and we're expecting something in the next couple of weeks in terms of potential changes to those fees. And I know you can't quantify it, so I won't ask you for it, but just thematically, how should we think about it in terms of do you have offsets, is this something the banking channel will absorb, is this something that will be passed on, will the merchants be passing something on, like how would you see this working in terms of the outlook?

Cam Fowler - *Bank of Montreal - Group Head of Canadian P&C Banking*

It remains to be seen, I would say, but what I would say first is, in light of the fact that this is a network decision; they'll decide what the level will be. With respect to how the ecosystem responds, I think there will be a few dynamics at play. It's critical to remember going into this conversation and who responds how that the merchants do benefit significantly from the safety and security of the payment and the liquidity that this ecosystem provides and specifically that the issuers make possible.

When the changes take place, my expectation is that the merchants will likely enjoy a reduction. How much of that gets passed to the consumer is unclear, but you would anticipate the merchants would take some benefit here. The other players in the ecosystem then have decisions to make with respect to loyalty programs and how much can be invested in these types of rewards while still running a product capability that's critical to Canadians and profitable. So I think we'll wait and see. Merchants will likely benefit and we'll see how the issuers and consumers respond.

Robert Sedran - Analyst CIBC World Markets

Okay. The focus of your growth has been the transaction oriented account, not a balance carrier, right, I mean, consistent with some of the other ideals you talk about even on the mortgage side, we want to facilitate transactions perhaps, not more risk. But the transaction oriented accounts, do they become balance accounts in a downturn? Like should we be concerned about all this push in credit cards given where we are in the economic cycle?

Cam Fowler - *Bank of Montreal - Group Head of Canadian P&C Banking*

We watch it closely. That trend of a transaction account becoming a sustained balance account I don't think is one that is the largest threat. Staying focused on consumer leverage is obviously critical. Ours is more of a transactor base, it's true and it is also true that those that carry balances, as in don't settle each month, do carry a slightly higher likelihood of delinquency or default.

But looked at most broadly, these are important customers as well and for the most part balance carriers do operate within their terms. They on balance work well with broadly low utilization rates and most of them have scores such that it would suggest that they could get other forms of credit. So both types, transactors and balance carriers can be healthy and the migration between the two is one we watch, but it's not a driving force in our book right now.

Robert Sedran - Analyst CIBC World Markets

Getting the card in the people's pockets I guess is the easy part and getting them to make it their primary card is the hard part. So, is travel the area with MasterCard World Elite or have you got other loyalty programs, like what would you focus on as this is our value proposition for those transaction oriented accounts because this is what they want from us?

Cam Fowler - *Bank of Montreal - Group Head of Canadian P&C Banking*

I think if you step back and look at our relationship with AIR MILES which has been, I think, one of the forces that has helped define where the Canadian market is right now and the Canadian's deep level of loyalty and rewards that AIR MILES partnership has been quite critical. So there's lots of different things depending on the sector and the segment that consumers are interested in.

Travel has become an increasingly important one and in my own view and in the views of, I think, many customers there is no better one than the World Elite right now. So that has had the focus of us and I would say we've been really pleased with the response. But as I said in my initial comments about the cards, we are trying to keep this pretty balanced. Regardless of what happens with interchange, the premium segment is going to be critical to us because we didn't grow it earlier on and these customers are so important because with a card linked to a deposit in a broader relationship, these customers stay far longer, their share of wallet is better. So this will be a critical segment to us regardless of interchange. Ensuring that we stay balanced on that core that got us going in the cards business is the balance we need to keep up.

Robert Sedran - Analyst CIBC World Markets

The credit card is, I would assume, going to form the basis for a lot of the mobile payments and a lot of the shifts towards a less branch banking environment. So when you think about mobile banking and mobile payments and where you are on all of that, is the risk of disruption from a third party? I mean with Apple Pay getting launched last week, I guess not in Canada yet but presumably at some point as well, when you think about that kind of disruption from non-traditional players, is it an opportunity? Is it a risk to the Canadian system?

Cam Fowler - *Bank of Montreal - Group Head of Canadian P&C Banking*

I think it's both. It's an opportunity and a risk, but it's positive. I mean, these dynamics being driven into the market I see to be positive for the consumer and therefore good. The payments disruption point is an interesting one, just using cards as an example. Organizations around the world right now are trying to decide how best to evolve their existing payments capabilities into something that is going to be appropriate for evolving consumer needs which are all about mobility here and now, security, simplicity, easy consumption and we are no different in that regard.

The Apple Pay is a good example, but the sequence of events is quite important. For us, we have made decisions throughout time in our payments business where we have tried to be thoughtful about where people are, where they're going and what the range of possibilities are in the future. And we've made, through learning experiences, the decision that we are better to go step by step and focus on practical customer innovations as opposed to leaping way out and hoping for something because ultimately those in this market don't prove that valuable to customers or frankly to shareholders.

So a good example of the approach that we've been taking on the payments is this, this PayPass tag that I have on the back of my phone. This has been on the back of my phone or my device for the past few years. The point of this is for us to help guide customers to what the future is going to be. And it's to say, when it comes to point of sale, you don't need to reach for your leather wallet. You can pay for things with your phone, but we wanted to leave the conversation there, we don't want to be confusing people with NCF and cloud and tokenization and host card emulation, that's not the point. Convenient easy pay is the point.

So we decided to shrink the form factor of the card, this is just a MasterCard, shrink the form factor of the card, put it on the back of a phone so you can get used to how simple it can be. From there, it's a very easy step to Apple, it's a very easy step to Apple Wallet, you're simply loading your credentials inside the phone this time and much as people have become used to pointing at something and flashing to buy a coffee at Starbucks, they'll be able to do that now.

And so, we think the sequencing has been good. I'm glad we haven't gone beyond investments such as the PayPass or others because we're now positioned to move quickly into digitization, tokenization and be participants in things like, but not exclusively Apple Pay.

Robert Sedran - Analyst CIBC World Markets

So, is this the kind of thing that actually drives customer behavior? Like, would you envision people switching banks for this kind of stuff or will you ultimately end up in an open architecture environment where all the cards are going to be available on all the devices and therefore we don't want to be first in this, we just want to be a fast follower?

Cam Fowler - *Bank of Montreal - Group Head of Canadian P&C Banking*

It's a little more of the latter. It's a little more of the latter in that we want to be part of the broadest possible ecosystem and when you are there, because presumably in service of the convenience of customers, everything should be available in the wallet as opposed to having four different wallets or five different wallets or a Starbucks app for every single thing you consume. So, to me, the open architecture is point number one. Thereafter, there will be an opportunity for differentiation based on the app services and capabilities that you put around the wallet. But I think the bigger opportunity is the latter part of your point which is to be there and be ready, focus on being open and not too far behind.

Robert Sedran - Analyst CIBC World Markets

So we have 90 seconds left. So I'm going to ask you a question that requires about 30 minutes to answer. The future of the branch network in that kind of an environment where we're moving to mobile, did real estate secured lending obscure the fact that the branch is becoming less relevant? And now that we're through that boom in real estate secured lending, the branch is just one more distribution channel and maybe isn't quite as important as we thought it was?

Cam Fowler - *Bank of Montreal - Group Head of Canadian P&C Banking*

I don't think so. I'll try to do this in 90 seconds. The branch will continue to be for the foreseeable, if not the cornerstone, a critical component of distribution in Canada. The trick will be a focus on the productivity and capability of the branches. Our branches, for example, are between 30% and 35% smaller in terms of square footage and we're putting between 20% and 25% less capital into them. So they're productive in half the time.

We are more focused on relocations and renovations than net new openings. And, I guess, the next area of focus for us is ensuring that the capabilities that we are putting on mobile and tablet and that we are powering with data capabilities are fused with the experience that you have in the branch. So it is an integrated experience and that the folks that we have in the branch are tuned and ready to be doing the things that we anticipate our customers will require which are going to be more advice-based sales than transactions.

But if you just boil it back down beyond Apple Pay and all the exciting things that are going on in the world, the vast majority of customers make a decision about who they're going to bank with based on branches, they make their advice based decision based on branches and this human interaction will be critical regardless how quickly the digital channels move.

Robert Sedran - Analyst CIBC World Markets

I think that was actually good, exactly 90 seconds.

Cam Fowler - ***Bank of Montreal - Group Head of Canadian P&C Banking***

I was being conscious of that.

Robert Sedran - Analyst CIBC World Markets

So thank you very much, Cam, for participating in the conference this year. It was a great session. Thank you.

Cam Fowler - ***Bank of Montreal - Group Head of Canadian P&C Banking***

Thank you.