RBC Capital Markets – 2015 Canadian Bank CEO Conference
January 14, 2015

CORPORATE PARTICIPANTS

Bill Downe - *Chief Executive Officer, BMO Financial Group*

CONFERENCE CALL PARTICIPANTS

Darko Mihelic – *Analyst - RBC Capital Markets*

Caution Regarding Forward-Looking Statements

Bank of Montreal's public communications often include written or oral forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the "safe harbor" provisions of, and are intended to be forward-looking statements under, the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2015 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, and the results of or outlook for our operations or for the Canadian, U.S. and international economies.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that our assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which we operate; weak, volatile or illiquid capital and/or credit markets; interest rate and currency value fluctuations; changes in monetary, fiscal or economic policy; the degree of competition in the geographic and business areas in which we operate; changes in laws or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance; judicial or regulatory proceedings; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; our ability to execute our strategic plans and to complete and integrate acquisitions, including obtaining regulatory approvals; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; operational and infrastructure risks; changes to our credit ratings; general political conditions; global capital markets activities; the possible effects on our business of war or terrorist activities; disease or illness that affects local, national or international economies; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; technological changes; and our ability to anticipate and effectively manage risks associated with all of the foregoing factors.

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

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

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

Non-GAAP Measures

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

Examples of non-GAAP amounts or measures include: efficiency and leverage ratios; revenue and other measures presented on a taxable equivalent basis (teb); amounts presented net of applicable taxes; adjusted net income, revenues, provision for credit losses, non-interest expenses, earnings per share, effective tax rate, ROE, efficiency ratio and other adjusted measures which exclude the impact of certain items such as credit-related items on the purchased performing loan portfolio, acquisition integration costs, amortization of acquisition-related intangibles assets, decrease (increase) in collective allowance for credit losses, run-off structured credit activities and restructuring costs.

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

PRESENTATION

Darko Mihelic – Analyst - RBC Capital Markets

Presenter today is Bill Downe. He is the Chief Executive Officer of BMO Financial Group. He joined Bank of Montreal in 1983 and held a variety of senior management positions in Canada and the US. In 1999, he was appointed as Vice-Chair in Bank of Montreal. In 2001, he was named Deputy Chair of BMO Financial Group and Chief Executive Officer of BMO. And in 2006, he was appointed as Chief Operating Officer of BMO Financial Group, and he was appointed the CEO on March 1, 2007.

So with that I'd like to welcome Bill to speak.

Bill Downe - Chief Executive Officer, BMO Financial Group

We're going to start with Dairy Farming?

Darko Mihelic – Analyst - RBC Capital Markets

Ha, No, no dairy farming today. We'll start with oil and gas if we could please that would be great. One of the things that -- as we put up our slide here on energy exposure -- is the oil and gas numbers that you can see on the slide, we've got a set here for you as well. Maybe can you speak first to the direct exposure of the oil and gas portfolio. It's grown at a decent clip; and when we take the amount that's on the balance sheet of $5.9B, and add the undrawn commitments, it seems relatively high. Could you speak to the portfolio -- the direct portfolio, and maybe give us your view, your top down view of the oil and gas portfolio?

Bill Downe - Chief Executive Officer, BMO Financial Group

I think the portfolio, actually in the context of the whole balance sheet, is not particularly high. I think it's around 2% of total loans. And this is a business that not only do we have a long history in, but we have a long history of success. And as your chart points out, the rate of growth in that portfolio in the last five years -- and it's really in the context of the last 10 years, which has been a boom in oil and gas -- this has actually been slower than the growth rate of the other bank portfolios of around 12%, and that's not uncommon.

If you look at the last 35 years, and that's my historical context, as I did have pretty close familiarity with this portfolio from the early years of my career, we've grown slower than the market itself in times when there was a rapid expansion underway, and grown much faster than the market in periods of contraction.

So, sitting at 2% of total loan portfolio, it's certainly something that we pay close attention to, anything that has a dollar quantum of $6 billion or $7 billion or $8 billion is important to us. But, I'm happy to talk about the composition of portfolio too, if you like.

Darko Mihelic – Analyst - RBC Capital Markets

Yes, that would be great. You can start with the three broad categories or maybe you can talk to, in the categories of what we should be thinking about in respect of that exposure?

Bill Downe - Chief Executive Officer, BMO Financial Group

Well, the focus of our business historically on the producer side has been investment grade companies with transactions that are structured with covenants that are designed to align our interests and their shareholder interests; and the rest of the portfolio in reserve-based lending. And in reserve-based lending, we have a very clear view of the cash flow at a very granular level. So we have annual engineering reports, semi-annual updates. We have our own engineering staff. We know what the decline curves are by well, we know what the price realization is by well; and these portfolios have proven to be enormously resilient in terms of ability to support credit even when you get a rapid adjustment in price. So I think that's the biggest portion of the portfolio, and it's the one where I have the highest degree of confidence that we have good line of sight to how the producers are going to react, and how long it will take when they make the adjustments that they need to make.

In terms of the way those adjustments are going to be -- a relatively rapid reduction in exploration spending. It's a time value of money business, and they can put the brakes on investment relatively quickly. It delays the development of new reserves. But, it's a supply and demand market that is characterized by a very large portion of the supply being controlled by OPEC. And that really is the balancing effect in OPEC that made a decision probably not unintelligently from their point of view that the market needed some discipline.

And the price range necessary to keep the market in balance is probably in the $60 a barrel to $70 a barrel range worldwide, and as has happened in past cycles, the price sentiment gets driven down quite rapidly to a level below that, and then discipline comes back into the market.

And it's about a 6 to 8, to 12-month adjustment period as the impact of the lower exploration expenditure, less work over at the wells, and all that immediately helps them to conserve cash flow. And those credits are margined well, so that we are well protected.

Darko Mihelic – Analyst - RBC Capital Markets

Some of the banks have helped us with the concept of the stress test with lower oil prices. Is there anything that you can share with us at least the results of the stress test around $60, $50, $40?

Bill Downe - Chief Executive Officer, BMO Financial Group

Yes, in the ordinary course, we would run downside scenarios that would be let's say 70% of what our longer-term assumption was. So if we thought that the logical price for crude oil was between $80 and $100, and then when we look at what would happen to the portfolio if we had $60, let's say $50 to $60 a barrel. But, the slide in prices has been emerging. It's not since the 1st of January, it's really since the end of the third calendar quarter that you can see a very significant movement in price; and prices actually started turning down in June.

So, we have looked at the portfolio even in a scenario of $35 a barrel of WTI this year end, and $50 a barrel of WTI next year, which is generally consistent with the most difficult downside scenario you can find in the last 50 years. And the portfolios performed, pretty much as I said. You end up with provisions for credit losses rising, but the notional amount of new PCLs within the context of the annual PCLs of the bank, and I think as this applies across the banking industry are very, very manageable. In fact, they're quite small relative to the overall size of the bank balance sheet. And as I said, I think at 2% of loan portfolio, we're at the low end of the Canadian banks.

I think it's a little bit, I mean everybody should be interested in it, because it's a little uncertain how that trickles into the rest of the economy. But I think it's highly sentiment driven and not so much fundamental driven.

Darko Mihelic – Analyst - RBC Capital Markets

Maybe we can discuss the other loan portfolios that maybe we should be concerned about, which would be credit cards, other forms of consumer debt and your overall exposure just to Alberta and the prairies, maybe you can just talk a little bit about that, and how you see that evolving with low oil? Let's say that persists with -- using your base case, that stress test case of $35 oil and $50 next year, how would that affect the other portfolios?

Bill Downe - Chief Executive Officer, BMO Financial Group

Well, you have to start again with the quantum, I think about 20% of our total loan book would be in the West. And we look at this as Alberta and Saskatchewan and a little bit of the East Coast, because there's some population, there is some East Coast population that has been employed in the West. So you can model it reasonably well. And so you think of that is about 20% of the loan book and about 15% of the consumer book. So once again not disproportionate to the bank, in fact, a little bit light in contrast. Ontario and Quebec would be about 60% of the loan book.

And the thing that's a little bit difficult to model are the offsetting effects of lower fuel cost, because lower fuel cost translates into at the consumer level, transportation and home heating and air conditioning, very significant part of the home budget. Roughly speaking, the average working person in North America has about $20 per week cash in their wallet as a consequence of the drop of the cost of fuel. And even in an environment where tax makes up a big portion of the cost of a liter of gasoline, tax is proportionate to the underlying cost of the gasoline. So it's come down very significantly.

And that $20 in the pocket of each consumer is going to be spent every week, by Saturday night. And I think one of the things we don't really know is exactly what the effect on the economy of that will be. In the United States, I think it's a fair conclusion that the stimulus in the aggregate economy is going to be far greater than the drag in the State of Texas or Colorado on consumption related to the people who work in the oil and gas business.

In Canada, it will be different, but I think you should think in terms of the U.S. GDP which was trying to be at 3% or above, having a much higher probability of upside from 3%, and the Canadian economy, maybe thinking in the low 2% as a consequence of the Alberta economy slowing. But once again when we look at those losses, we'll be able to identify maybe a quarter away, an uptick in the industry as a whole in credit card and in mortgage delinquency. But even there, I think the numbers we have around 73% of our mortgage portfolio in Alberta is insured and the loan to value of that portfolio is around 57%.

On a headline level or on a local paying level, this is significant; the major cities in Alberta and Saskatchewan are going to feel a contraction. The impact on loan loss provisions is not going to be so great, but growth in consumer borrowing in Canada is going to be lower than we had anticipated, it was moderating. In any case, it's going to be lower in 2015 and 2016 as the consequence of this aggregate.

Does that answer the question?

Darko Mihelic – Analyst - RBC Capital Markets

It does. I think one of the things that still sort of rings true for us is how should we think about Alberta as a non-recourse province. Should we care? I mean, 57% loan to value I suppose is a very good cushion. How do you view that?

Bill Downe - Chief Executive Officer, BMO Financial Group

Well, all institutions that have a national franchise have experience with the province of Alberta when the oil price contracts. And you go back and look at the last 40 years of price movements, real estate, residential real estate, home ownership, rental properties and commercial real estates are all very sensitive to movements in the price.

So we have a pretty good idea of what's happened in the past, and I think it will be quite similar. And there is dislocation, but the impact on the aggregate of both provisions of the bank and profitability of the bank, have proven in the past to be relatively modest, and I'm expecting the same thing.

Darko Mihelic – Analyst - RBC Capital Markets

Okay, that's helpful thanks.

Bill Downe - Chief Executive Officer, BMO Financial Group

When you live there it's a bigger deal.

Darko Mihelic – Analyst - RBC Capital Markets

Right. Okay. We'll flip over to the next slide, which is a slide on operating leverage and expenses. And it is again a theme that I think all banks have been attacking expenses for some time. Your bank is quite steadfast on targeting 2% operating leverage or more. That seems like an aggressive objective. So, I guess the first question is, why are you so aggressive in targeting the 2% operating leverage? And I think if I threw that question else to some other CEOs, I think they might say 2% is kind of aggressive. So why has BMO been so aggressive on this?

Bill Downe - Chief Executive Officer, BMO Financial Group

Well, it's a medium-term objective without question. I think structurally it has a lot to do with the fact that we've expanded our business in the United States. Our deposit-taking business is quite a bit larger than it was six or seven years ago. And the earnings contribution from Personal and Commercial banking is significantly greater, it was under $200 million, between $150 million to $200 million a year, prior to the recession; and close to $700 million this year.

And as we have looked at those businesses, as I think many of you who follow the company know, we had the benefit of some very significant recoveries from the acquired business and from our own portfolio in the two or three years as we were going through the conversions of the business model and the integration of the systems. And we had anticipated that we would see higher interest rates start to appear in the market, and as you know the 5-year treasury rate which is a good marker around interest rates was moving up, and it is only in the past 5 or 6 months it started to move back a little bit. So we do think that in the medium term we're going to see higher interest rates in that market and we're going to see higher rates in consumer borrowing.

We've had good deposit growth and very strong commercial loan growth at above 10%, closer to mid-teens growth, but almost no growth in consumer borrowing. It's interesting, because in the Chicago metropolitan area we have about 12% deposit share and a much smaller loan share. So we expect when loan growth starts to pick up, we're going to see faster than market growth. It's hard to have growth when there is zero growth in the market. And you can ask the question well, why would you be confident that ultimately there's going to be consumer loan growth in that market? And it has a lot to do with simply the long cycle. The savings rate has been much higher for five years than it was for the previous decade. So, consumer balance sheets have been getting progressively stronger and stronger and stronger, so the capacity to utilize credit has been increasing.

The supply-demand balance of housing has been tilting more and more towards home ownership. It's about 25% cheaper to own a home than it is to rent today in the Midwest market. The reality of that is stronger personal balance sheets and more confidence in earnings, as we've seen a dramatic improvement in employment. And if you go back to the last mid-term election, the unemployment rate was close to 10% at 9.9%; under 6% today, below the 25-year average.

So if you're a consumer, your balance sheet has been repaired, your confidence in your job is much higher, the notion of buying your first home or moving up to a larger home has been on hold for six or seven years.

So, when you look at this chart on expense-to-revenue, we've been holding expenses very tight. We've been holding headcount very tight across all of the businesses, and what we do know is we're going to have a tailwind on productivity when we see an expansion on that base.

The second thing that I think we're also realizing is that the shift to mobility, which has a lot of positive attributes that line up with the way that our customers are using the bank, also means that the branch footprint becomes more and more valuable over time. And there was a time when we felt disadvantaged that we had fewer bank branches than our competitors. But, with 940 bank branches in Canada and about 650 bank branches in United States, we have them all running on a common platform now. We have the second largest branch network and it's really going to benefit from the leverage we get from the uptick in mobility.

And in 2014, we passed the crossroads where the use of mobile basically moved ahead of more traditional ways of transacting with the bank. So, I think both of those are going to be contributing factors. And then we have four big areas of operating discipline that we're focused on. Frank Techar, our Chief Operating Officer is spending a lot of time on brand reinforcement. We think that's really showing up in the sales numbers per banker, and a lot of focus on the balancing of channels, so more sales people within the channel, the modernization of the physical space within the branches, so they're more retail-friendly.

The management use of data to make every banker more productive, and to make it easier for our customers to transact, all of these things we have line of sight over the next one, three, five, even seven years that what we think is possible. And I think having an objective to grow the revenue faster than the expenses, and hold out 2% as achievable, focuses both our bankers, and I think it ought to focus the market on what the potential is.

Darko Mihelic – Analyst - RBC Capital Markets

Okay. Fair enough, if we can move on to the next slide, which is the US P&C segment. So a few questions come to mind when we look at the US P&C segment. What do you view as a good run rate for loan growth? And can you talk about the efficiency in the US? Is it the mid-to-low 50% efficiency ratio targets you provided in 2012? Is it still achievable?

Bill Downe - Chief Executive Officer, BMO Financial Group

Yes I think it is, for the same reasons that the longer term productivity of the consolidated institution has been impacted by interest rates -- interest rate recovery being slower than you might have anticipated and the consumer staying on the sidelines longer. The commercial loan growth in the Personal and Commercial Banking business has been running as I said close to 15% for five years.

And when you talk to the people in the business, they don't have a hockey stick. They always say well we think it's going to level off. And I can go through the business planning process for the last five years and every year we've had -- it's been a robust year, but we think it's going to moderate.

And in fact there is a very large business expansion underway in the United States. Business productivity is high, and the global productivity of our customer base is starting to be proven in meaningful ways. And our commercial clients have healthy balance sheets, good cash balances, lots of borrowing capacity, and we've seen continued growth in available credit.

So new lines are being formed and the utilization rates are still relatively modest. So I think the double-digit growth can continue in commercial lending for the foreseeable future. Small business lending has never been an area where Harris Bank had a real presence. And part of that is that the small business environment is driven out of the physical presence in the market, and until 2000, we had very few branches across the marketplace. Today is a combination of a much expanded branch network in Illinois and then the branches in Wisconsin and Indiana, Minnesota and then some in Kansas and Missouri are a much broader footprint from which to build small business lending. Brad Chapin who is running that group is a very experienced banker and he's very enthusiastic about his ability to move the needle in that sector.

So we had zero loan growth in the marketplace in small business. I think we're going to see a very healthy movement in that business over the next two or three years.

And the US market doesn't have the phenomenon that we have in Canada where in the aftermath of recession you actually saw the population count of small companies drop. Our Central Bank had pointed that out. In fact, it's a healthy and potentially fast growing segment of the market.

Technology opens up the kinds of things that can happen in the small business segment now. Not everybody is getting squeezed out by the larger companies. So we've seen positive effects in 2014 in that segment and we think 2015, 2016 and 2017, the plan that Brad has is going to be a contributor. So that's going to help the loan growth.

And then the consumer, really the growth has been pretty close to zero and that business has tremendous operating leverage. If you get 5% to 6% loan growth, the impact on net income after tax is going to be striking.

And you can see that in Canada as well as in Personal and Commercial banking, we've been growing faster than the market at 6% or 7% revenue growth. Last year, we generated close to 11% NIAT growth.

So I remain quite confident that the business that we acquired together with a business that we had both of which were high quality are very well positioned. So 5% to 6% growth over time in the balance sheet, I think, will drive good earnings growth; tight control of expenses has served us well. And when this growth comes, I think we'll be able to grow revenue faster than expense. So getting into the mid-50s remains a sensible destination. And at around 63%, we're very competitive with the super-regional banks.

So we know that we don't have a disadvantaged structure. We're still investing in the aftermath of having combined two banks and things that will give us more operating efficiency, better information around customer leads management. And so I think it's eminently achievable to bring that number down. It’s not going to be in one quarter, but you know this is a big business with big potential, and over time I think it will make a very significant contribution to both the improvement in overall productivity in the bank, and it will be a significant source of earnings growth.

Darko Mihelic – Analyst - RBC Capital Markets

Great, thank you and this is wonderful. We've got some questions from the audience.

So the first question is with respect to the Canadian P&C business. Can you maintain mortgage growth premium to peers without sacrificing your NIM?

Bill Downe - Chief Executive Officer, BMO Financial Group

If you look at the achievements of the last two or three years, and you can look back over five years -- one of the things that you can see is that we have been growing faster than the market. The growth rate in the market is moderating. But, even as the growth rate in the market is coming down, the management in Personal and Commercial banking has been able to do that.

And this whole question about sacrificing NIM to me is an interesting one. I mean, it's a competitive market and it's a dynamic marketplace. When you have an offer that has interesting characteristics, and I mean interesting to the consumer, and that's really what we did with the five-year fixed-rate mortgage. It really isn't a question of price competition. It's having products that are most suitable to the marketplace, promoting them effectively. It has been inconvenient I think - it's been inconvenient for our competitors. They've had difficulty reacting, but Cam Fowler, who runs that group, and the management team have a lot of ideas, about how to make products work better for our customers. This spring in both the investment season, and in the mortgage season, we hope again to have a fresh offer that is appealing to customers.

And so in that sense it isn't the question of competing on price, it's a question of competing on value, and we don't market this as competing on value, the sales people want to be able to say I can get a great rate for you, I'd want to do that if I was a sales person as well. But, if you look at the mix of the business, the way that we've managed our NIM, the growth of the business exceeding market has been much more to do with brand, product attributes, effective communication, high-quality sales force, and a relationship-orientation. So I expect that to continue. And that's not denying the fact that there is a moderation in the growth rate in the market as a whole. I still think we can exceed the market growth rate.

Darko Mihelic – Analyst - RBC Capital Markets

Okay. And then a question here that's shifting gears on capital. The question from the audience is, with most developed countries, regulation is becoming more strict on capital and buffers, and some countries such as US, UK, Scandinavia, Switzerland, are all moving towards higher buffers. What is the risk that OSFI feels compelled to follow their lead and therefore your Basel III Common Equity Tier 1 ratio may need to be built up another 100-150bps to be considered adequate?

Bill Downe - Chief Executive Officer, BMO Financial Group

The one thing I'll say about bank regulators in most countries, but specifically in Canada, is that they are independent thinkers. In the history of the restructuring of regulations worldwide, the superintendent of banking and the Bank of Canada, I think have been very effective in the global context in advancing the Canadian view around how to think about capital, how to think about buffers, how to think about liquidity, and how to think about supervision and management, and those things go hand in hand together.

I think our track record as a country stands out in that regard. So I don't think that the Canadian regulator is going to be pushed into a place that they don't think is logical. The real question is how do we as a bank that operates in more than one jurisdiction manage our capital for the long run in a way that allows us to be confident in the return we can give to our shareholders.

And I said this in the past that we've learned a great deal from being a Basel II AIRB compliant Bank, being one of the first banks in the world having a really good fix on how the CET1 rati,o using fully implemented 2019 standards, would operate. And you can look at our track record in having made a couple of really striking acquisitions, one very large acquisition that took that ratio down. We had good line of sight how to rebuild it quickly and we did. And in 2014, we made a $1 billion acquisition at a time when global standards were clearly rising and we rebuilt that ratio to 10.1% at the end of 2014, ahead of the timetable that would have been necessary, I think to me and regulatory expectations.

And that's how I think you have to think about capital. You have to anticipate where the capital levels and the expectations of regulators worldwide are going to be. And if the capital requirements move up from the current level, we expect to see that price back into the cost of credit in the marketplace, and that's really the dynamic. In the US market, what you can see is, high-quality commercial credit which had spreads in the aftermath of the recession that were very, very high, are moderating down. But, the cost of consumer credit is being adjusted, and adjusted.

So, I think as an industry, the management of margin over time, and the balancing of capital over time, and in effect getting into the last inning of global regulatory adjustment -- I think it's low risk to investors in bank stock, and Canadian bank stocks in particular. And as per BMO, I think we've demonstrated an ability to manage capital very effectively, and still accomplish the growth objectives of the bank.

Darko Mihelic – Analyst - RBC Capital Markets

We're probably going to run out of time, I'm not going to be able to ask all the questions from the floor. And instead what I'd like to do is...

Bill Downe - Chief Executive Officer, BMO Financial Group

You want one word answers? I can go to yes or no…

Darko Mihelic – Analyst - RBC Capital Markets

No it's okay. But, what we wouldn't mind hearing is that what's your key message for shareholders today?

Bill Downe - Chief Executive Officer, BMO Financial Group

Key message really hasn't changed very much. The bank has moved into a position where growing all of the business is important, growing the top-line is important.

And in 2014, we generated $4.5 billion of net income, 6% EPS growth. We increased the dividend a couple of times. We made a $1 billion acquisition that really helped our institutional asset management business, not just in terms of scale, but in terms of global reach, high expectations for that business. And as I said, we were able to build the capital very rapidly on the heels of doing that, and we did an excellent job at integration.

The performance of the bank rests on four operating groups that have done very well. The biggest business, the Personal and Commercial banking business as I said had 6% revenue growth, 11% net income growth. It really had two full points of operating improvement, which is not achievable in every year but 1% to 2% is. They have shown the way that they're able to do it.

But most importantly the quality of our customer base, customer royalty, and the expectations of the bank in Canada are a premiere brand. And I think that's an important thing to understand. In pre-crisis, I think we made $1 billion in Personal and Commercial banking in Canada, and this year we made $2 billion. So we've moved our position in the market.

The US Personal and Commercial banking business, we've spent some time on. So I don't have to say very much more other than it's equally compelling in terms of brand strength in the market that we serve. And the size of that market, the

Midwest market, I don't have to remind you, it's the same population and GDP as Canada. So the growth opportunity there is very significant.

Wealth, I think we've been understated in talking about our wealth business, but we made north of $800 million last year in wealth management. And what's striking to me is across every category we have been growing faster than the market for a decade. And we have high quality products and it's a business that we expect to continue to grow faster than the bank.

Our capital markets business is also a high quality business. It's made very good adjustments over the last five years. And if you look at the weighting, investment and corporate banking is a much more important part of the business than sales and trading in terms of future growth, both are high quality and the mix of the North American business. It's a North American business. We're not growing our Canadian investment banking business and a US investment banking business. We're growing a North American investment banking business. And the US component will be a larger part of it in the future simply because the market is bigger, but it's a mid-cap strategy and it rests on quality.

So I guess the bottom line really Darko is, that we can be optimistic about the bank in its parts. And on a consolidated basis, because of the work that we've been doing through consecutive years, the bank is in a position now where we have line of sight about how to grow and how to be competitive with anybody in the marketplace. We've narrowed the range of things that we do, and we've made the narrative around who we are, what we stand for, what our brand represents, simple and easy for customers to understand.

So notwithstanding the turmoil that you see when you look at your Reuters or Bloomberg screen in the short run, I think the long-term prospects for a bank headquartered in Canada with a footprint that we have are very good.

Darko Mihelic – Analyst - RBC Capital Markets

Okay. Thank you very much.

Bill Downe - Chief Executive Officer, BMO Financial Group

Great, thank you.