BMO Financial Group

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Effective the first quarter of 2013, our regulatory capital, risk-weighted assets and regulatory capital ratios have been calculated pursuant to the Capital Adequacy Requirement (CAR) Guideline released by the Office of the Superintendent of Financial Institutions (OSFI) in December 2012 to implement the Basel III Accord in Canada. When calculating the pro-forma impact of Basel III on our regulatory capital (including capital deductions and qualifying and grandfathered ineligible capital), risk-weighted assets and regulatory capital ratios in prior periods, we assumed that our interpretation of OSFI's draft implementation guideline of rules and amendments announced by the Basel Committee on Banking Supervision (BCBS), and our models used to assess those requirements, were consistent with the final requirements that would be promulgated by OSFI. We have not recalculated our pro-forma Basel III regulatory capital, risk-weighted assets or capital ratios based on the CAR Guideline and references to Basel III pro-forma items refer to these items as previously estimated.

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 2013 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 2013 Report to Shareholders and Bank of Montreal's 2012 Management's Discussion and Analysis, 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, specific provision for credit losses, 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 acquired M&I performing loans, run-off structured credit activities, M&I integration costs, amortization of acquisition-related intangibles, 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.

PRESENTATION

John Aiken - *Barclays Capital - Analyst*

Okay ladies and gentlemen we are kicking off the Canadian content of the Barclay's Global Financial Services Conference. Very pleased to have Tom Flynn who is the Executive Vice President and Chief Financial Officer of Bank of Montreal. I believe this is Tom's second trip to our conference and we are very pleased to have him.

I believe Tom is going to make a brief introductory comment and then we will open up to Q&A.

Tom Flynn - Bank of Montreal - EVP & CFO

Thank you John, it is good to be back at the conference. I have been here at least two times, but maybe more times over the years. It is good to be back and a good way to kick off the post labor day working season.

I will make some presentations, I will be fairly brief under 10 minutes, just providing for those of you who are less familiar with BMO an overview of our company and then I am happy to take your questions.

Before I begin, please note that forward-looking statements may be made during this presentation. Actual results could differ materially from forecast, projections, or conclusions in these statements. You can find additional details in the public filings of BMO financial group and the related caution on slide one.

Moving now to slide two, BMO Financial Group is a diversified North American universal bank. We provide a broad range of retail banking, investment banking, and wealth management products and services to more than 12 million customers.

BMO is the second largest Canadian bank, measured by retail branches in Canada and the US. We are the eighth largest bank in North America by assets and the ninth largest by market cap. Year to date approximately two-thirds of our revenues were generated in Canada and one-third in the US.

Our US strategic footprint is centered in the US Midwest states of Illinois, Indiana, Wisconsin, Minnesota, Missouri, and Kansas. These states have a total population and GDP greater than Canada as a whole and we think represent a significant opportunity for us. Taken together with our Canadian business, you have one of the biggest contiguous markets on the continent with more than 74 million people and GDP of about $3.7 trillion.

BMO is well diversified with a retailed focused business mix. Year to date over 75% of adjusted revenues are from personal, commercial, and wealth businesses. We have strong retail businesses in Canada and the US Midwest with $214 billion of customer deposits and approximately 1,600 branches, 930 in Canada and 630 in the US.

We benefit from strong deposit share positions in the US Midwest, number two in Greater Chicago, and number two in Wisconsin.

Personal and Commercial banking is the largest contributor to total bank income and within this segment commercial banking is a proven strength. We rank second in commercial lending share in Canada at 20%. In the US our commercial business is also strong and growing. Our large commercial business positions us well for a business led economic expansion.

Our ambition is to be the leading commercial bank in the Midwest and with our unique combination of local access to leaders, sector and product expertise, and excellent treasury management services we think we are well positioned to do this.

Segments of focus include, corporate finance, diversified industries, financial institutions, food and consumer, auto dealership, equipment finance, agricultural, and commercial real estate.

Building on our advantaged market share positions, our commercial businesses are doing very well on both sides of the border, and looking ahead we expect more growth to come from these businesses.

Our wealth management group manages assets of $174 billion and administers an additional $353 billion of assets. This business provides a broad offering of wealth management and insurance products to a range of client segments from mainstream to ultra-high net worth and institutional clients.

We have built a strong wealth franchise with top tier wealth positions across our five lines of business. I will just roll through quickly what those businesses are for those of you who are less familiar with them.

Firstly, BMO Nesbitt Burns is a leading full service brokerage business in Canada. BMO InvestorLine is our self-directed investing business. BMO Insurance provides life insurance and some structured insurance as well. BMO Global Asset Management obviously does asset management. And lastly, we have Global Private Banking.

Our wealth businesses contribute roughly 20% of the total bank revenue, and over time we expect this to be the fastest growing part of the bank with many opportunities to grow the business looking ahead.

Our fourth business group BMO Capital Markets provides a range of products and services to corporate institutional and government clients. The business is focused on mid-cap companies while delivering high quality research, expert M&A advice and first rate execution in equity capital markets. We have seen solid earnings growth from this business, a source of diversification in our retail focus business mix.

I will touch on a few highlights quickly from our third quarter.

Q3 results were good with adjusted net income[1] of $1.1 billion up 12% from last year. Adjusted results adjust for acquisition related items like integration cost and elements of acquisition loan accounting as well as certain other non-core items.

In Q3 adjusting items were similar in character to prior quarters and netted to just $1 million. My remarks will focus on the adjusted results going forward.

EPS[1] was up 13% year over year to $1.68 and return on equity[1] was 15.6%. Results reflect good operating group performance, particularly in P&C Canada and PCG, our wealth business.

There was good revenue growth[1], 6% ahead of last year. And expense growth[1] was 5%, reflecting a level of operating investment in our business to position them for continued growth.

For the first nine months of the year, earnings[1] of $3.2 billion, and EPS[1] of $4.65 were both up 7% and all operating groups were ahead of last year. Credit performance has been strong through the year as well.

Our capital position remains strong at the end of July, with a Basel III Common Equity Tier I ratio of 9.6%, the strongest of any of the Canadian banks under a fully loaded adoption of Basel III, which is what we use in Canada. And our ratio is 12% on a Basel III transitional basis.

Under our normal course issuer bid we have repurchased a total of 8 million shares in Q2 and Q3 of this year and we expect to continue to be active with the program through Q4.

Year-to-date we've balance share buybacks with an attractive dividend to provide an effective return of capital to shareholders in excess of 60% of earnings.

1 – on a reported basis: Q3 net income of $1.1B up 17% from last year; EPS was up 18% Y/Y to $1.68 and ROE was 15.6%; revenue growth was 4% ahead of last year, and expense growth was 2%; first nine months earnings of $3.2B and EPS of $4.63 were both up 2%

Looking briefly at operating group results for Q3, P&C Canada had record net income[1] of $500 million, up 8% from a year ago, and strengthening year to date earnings[1] to $1.4 billion. Revenue growth in the third quarter was 4% driven by a higher balance in fee volumes, partially offset by lower margins. Loan growth continued to be strong with total loans up 10% from last year and 3% from Q2.

As I noted earlier our commercial business is delivering. In Q3, loans were up 12% and deposits were up 15%.

Similarly in the US, our commercial business remains strong generating double digit growth for seven consecutive quarters, in our core C&I loan portfolio. Q3 Personal and Commercial US net income[1] was US$160 million up 4% year over year. For the first nine months earnings[1] increased 7% to US$520 million.

Private client group net income[1] was strong at $225 million for Q3 and year to date earnings[1] increased 44%.

Traditional wealth businesses had record results in Q3 with net income[1] up 37%. Insurance results were also up significantly as a result of a $42 million after tax benefit resulting from higher interest rates in the third quarter.

Assets under management were up 11% from last year.

BMO Capital Markets net income[1] was $281 million, up 13% year over year with revenue growth[1] of 8%. Year to date net income[1] was $867 million, up 23% with a notable contribution from our US business. Results reflect good execution of our strategies and benefits of a diversified business mix.

To wrap up, we feel good about how our businesses are positioned looking head. Against the back drop of relatively low consumer growth we have good opportunities for growth across our diversified platform. Our strong commercial banking business north and south of the boarder positions us well in a business led recovery. We have good momentum in P&C Canada, which is our largest business.

In wealth we are leveraging a strong franchise and market positions for continued growth. We have upside from an expanded and upgraded US platform and this is true across our US business, including banking, capital markets and wealth management.

And from an operational perspective we are focused on efficiency across the bank and on customer experience to help drive revenues.

And lastly, as mentioned our capital position is strong.

And with that I would be happy to take your questions.

QUESTION AND ANSWER

John Aiken - *Barclays Capital - Analyst*

Great thanks Tom. I will take the opportunity to kick this off.

The acquisition of M&I a couple years back now was probably characterized as truly transformational for the US P&C business in particular. Can you give us an update as to where we stand with the integration of the various businesses between M&I and the legacy Harris? And essentially what milestones shall we be looking for going forward to see how you can continue to evolve the business?

1 – on a reported basis: P&C Canada net income of $497MM up 9% from a year ago and YTD earnings $1.4B; P&C US net income was US$147MM, up 7% Y/Y, YTD earnings increased 10% to US$482MM; PCG net income was $218MM for Q3 and $522MM YTD; BMO CM net income was $280MM up 12% Y/Y with revenue growth of 8%, YTD net income was $865MM, up 22%

Tom Flynn - Bank of Montreal - EVP & CFO

Sure. So we continue to feel very good about the acquisition that we did. We think that we bought at a good time in the cycle, announcing the transaction in December of 2010 as we had visibility into the recovery. But asset values were still relatively depressed at the time and they have improved.

Overall we are happy with how the transaction has gone, happy with how the businesses have been put together. And very happy with the credit performance which has resulted in significant recoveries on the mark that we took given the improvement in the economy since we closed.

As we sit here today we're largely done the acquisition integration. We talked about synergies of $400 million. Those are largely recognized to date, and so there is some incremental upside but not that significant.

And we have talked about 85% to 90% of the synergies being in the run rate results that we're recording. With that we have seen the efficiency ratio in the business drop. And at Harris Bank before the acquisition was done, our efficiency ratio was fairly high. It was 66%, 67% and we are now running year to date at about 60% in the combined business, which is obviously a much better number.

Going forward we are focusing on a few things. Number one is continuing to drive our commercial business. And I talked a lot in my remarks about the commercial business. We are trying to communicate that as a bank we are strong in commercial and we are overweight commercial and we think that is the place to be, given that consumers have high leverage and growth is likely to be larger in that part of the business.

Our commercial business has been running at mid double digit growth rate from a loan portfolio[1] perspective for the last five or six quarters. We think that should continue. The pipelines are good and so we feel good about that business and we are putting energy into it.

And a second significant area of growth is on the wealth side. In our banking business our clients skew above average from a wealth and an income perspective. And we have got a good wealth management capability and we are putting a lot of energy into trying to deliver a full set of products and services to our banking customers by introducing clients who bank with us to people on our wealth management side.

And we have seen good flows from banking to wealth. And our experience is that when we transition the clients from the one segment to the other the revenues go up very significantly. As we basically cross sell and sell more wealth management products, and so that's a big focus going forward.

Longer term, and this is beyond next year, we have talked about having an efficiency ratio target for the business in the mid-50's down from about 60 right now. So we continue to want to move that ratio down through time but it will be through time.

And from a revenue growth perspective we have got a couple of factors at play. Firstly, good growth on the commercial side from a volume perspective, relatively, flat balances on the personal side given some run off of higher risk portfolios and also low general consumer credit growth. And we do expect through next year continued margin pressure, largely as a result of competition in the commercial space and low margin.

So when you add that up, revenue growth through next year will continue to be in that segment pretty modest. We are hoping for positive revenue growth but modest next year and then picking up beyond that off of the back, we hope, of higher rates and some relief on the margin side.

1 – core commercial and industrial loans

John Aiken - *Barclays Capital - Analyst*

And Tom, I have to apologize because you are the first Canadian bank to present and given the fact that you were Chief Risk Officer in your previous role at the bank, I have to ask the question about Canadian housing and the outlook.

But I think that in a previous presentation that you had made with us we coined the phrase that, housing is a revenue issue for the Canadian banks not a credit issue, can you expand upon what the view is on housing and what the outlook is?

Tom Flynn - Bank of Montreal - EVP & CFO

Sure, I am happy to say that our outlook for housing hasn't changed through this fiscal year. And we have been in the camp of believing that the measures taken by the government, primarily, but also the industry to cool the market, would have the desired effect. And what we are seeing is a solid market with a firm base on price. But a market that has cooled a bit and we think that is a healthy thing, given the move that it has had.

Recent data is actually showing good volumes. So the market cooled, it has picked up a little bit from levels that dropped off. But I think bigger picture, we have got a market that has supply and demand pretty much in balance. We do not have any meaningful sub-prime component to the Canadian market and the Canadian banks don't take risk to mortgages at and above 80% loan to value.

We do write mortgages above an 80% loan to value but they are insured by a government entity and we don't do home equity lending above an 80% loan to value. So from a credit perspective based on lots of stress testing we are very comfortable.

And then the comment related to this being growth issue versus a credit issue. Basically it tries to say that we have had a market that has had a very good run over a period of time. Low rates have stimulated some activity for sure. And given that, we think that growth is likely to be lower in the mortgage sector over the next three to five years than it has been over the past three to five years.

Likely, in the sort of 3%, 4%, 5% range, so growing give or take in line with nominal GDP and that is a lower rate than we have seen, will give rise to somewhat lower revenue growth. But if we get rates starting to move up and we continue to have good performance on the commercial side we think that is just fine and actually healthy for the market.

John Aiken - *Barclays Capital - Analyst*

Are there -- unless I keep on continuing, is there any questions from the floor?

Unidentified Audience Member

So can you just expand upon the consumer then, you talked about housing but what is the opportunity for growth in the consumer segment in Canada? I guess how do you position that relative to the US?

But really we hear from places like Target who are opening stores in Canada that maybe they are not getting the uptake that they thought that they would get. So maybe you could talk about where you see the opportunity in the consumer segment in Canada? Thanks.

Tom Flynn - Bank of Montreal - EVP & CFO

Sure. So on the consumer side we are expecting lending volume growth for the market over all that's in line with nominal GDP to slightly higher for the overall consumer side. That is down from where it has been and the decrease basically reflects the impact of consumer credit having grown at a decent clip over the last 10 years. And with that, consumer credit growing at a lower rate going forward which we think is a healthy thing.

We see good opportunities for performance in the consumer side, notwithstanding that and sort of relative to that benchmark. And so for our consumer portfolio our growth was about 10% in the portfolio, year over year. The mortgage business had good growth for us and we had some innovative product offerings that drove very good volumes.

And our market share in mortgage is the lowest of any of our main product market shares. We are sort of under our natural weight and so we have been active in that market given that we are underweight and we have had good success with some innovative products.

We are quite focused on the wealth segment in the Canadian market as well and we do a good job trying to migrate again, clients in our banking business who have wealth management needs into our wealth management business. We had really good sales of mutual funds in what's called in Canada the RSP season, which is a government sponsored savings program that is open for the first few months of the year. Record sales in that program to date and we're focused generally on wealth products as consumers look to focus more on saving and a little less on credit growth.

And then lastly, we do expect there to be activity in the credit card part of the market over this year and that's as a result of a transfer of one loyalty or affinity program from one bank to another bank that we think is going to give rise to a higher than normal level of client movement across different cards.

And we have had a really good mass market credit card program with a good mass market loyalty program and we have a good share in that product. We have been underweight in the premium brand card space through time, but we have got a good offering. And so we plan on taking advantage of the more active state of the market that is going to unfold here over the next few months to try to market a good product into a market that's got some opportunity for us.

John Aiken - *Barclays Capital - Analyst*

Tom, in context to the expectation of the slower consumer lending demand, how do you address that in terms of the expense side? And BMO has done a very good job in terms of cutting costs, but going forward if we are going to look out even further, call it five years plus. How do you address distribution, and what impact does this have for the branch network and how you roll that out?

Tom Flynn - Bank of Montreal - EVP & CFO

It is a good question. I touched on in my remarks how we are focused across the bank on efficiency and productivity and for the last couple of years at our bank we have had a bank wide focus on productivity improvement. And in the retail banking business we are focused on a few things. One is just generally trying to move resources from mid and back office functions to the front lines, and doing that by simplifying our processes so that it is easier to do business internally and with that we have greater capacity do deploy resources to the front lines.

More fundamentally we are going through an exercise of redesigning our large core processes in the bank and as examples of that we have completed the redesign of our mortgage processing operation in the bank and so from the point where a customer walks in and makes an application for a mortgage to where they discharge that mortgage, we have redone the processes that basically process those transactions and with that we have freed up significant front line time and we have improved the efficiency of the back office operations.

We are right in the middle of rolling out what we call our Commercial Lending Redesign Program. And that program similarly involves the redesign of the commercial lending processing that we have to support that business. And we are going to go through a number of process categories. So I would say we are taking a fundamental look at the core processes in the bank and looking to simplify them to make them leaner in a lean methodology sense and to add technology to them.

And actually takes a little time for the benefits of those kinds of programs to show up because these are big processes you need to invest in and change and the benefits follow. So the full benefit from these changes is not close to being baked into the results at the current time.

On the channel side and the technology side, we are investing in mobile and we are investing on alternative and lower cost ways to serve our customers. We are not shutting branches, so we continue to operate with our branch network, but we are optimizing it by opening branches that are more customized to the local environment.

So for example in urban centers we are opening small, funky, light, airy, open, feel good kind of branches that generate high traffic and feel like a real retailing experience as opposed to a traditional banking experience. And we have had good results with those. Basically we are trying to reduce the square footage of the branches we have got.

Given that flows there aren't as high as they have been and we are very actively working to have a good mobile capability, which we do have. Good online banking capability and we are promoting with our customers channels that are lower costs to us and generally preferred by them. I would say that we are actively on that trend which is a big one in the industry.

John Aiken - *Barclays Capital - Analyst*

Along with that shifting channel preference, generally away from branches, although bricks and mortar will always exist, what is the outlook for the Legacy branches? Is there part of your refresh is that to go through and take a look at the old branches and go through? And if that is the case, how long a process will that be, because I can't believe it will be actually quick.

Tom Flynn - Bank of Montreal - EVP & CFO

Well it won't be quick. You are right on that. We have got about 1,600 branches in North America and the process I think will take quite a bit of time to play out. We don't think branches are going to go away, but we think that the way that consumers use them will continue to change.

And lots of consumers shop online, they talk to different people, but when the rubber hits the road on a personal transaction that they want to do, most people still want to deal with an individual. So you have to have a physical distribution system to do transactions that are important to people at the point that they are ready to transact. And have a good online capability to help them sort through the issues for themselves and be on their radar screen.

So my expectation would be through time, and this is five to 10 years, you won't see a big change in the number of branches but you will see the square footage come down. And that is what we are focused on doing. It is lowering the square footage where there is cost and trying to create branches that feel good to customers and are more retail oriented. And we will introduce those changes in sort of a gradual way through time.

I think what we are doing is largely in keeping with what the industry is doing with probably a bit of a larger push on the urban branch design and we think a significant effort on the online area.

John Aiken - *Barclays Capital - Analyst*

We have a question, do you have a microphone?

Unidentified Audience Member

Thank you, hello Tom, how are you?

Tom Flynn - Bank of Montreal - EVP & CFO

Good.

Unidentified Audience Member

If I read the slide right your Capital Markets business is the second largest contributor to earnings. Did I get that correct?

Tom Flynn - Bank of Montreal - EVP & CFO

That is correct.

Unidentified Audience Member

So, it is interesting we are talking about housing and mortgages in the US and this is a big business for you guys. How do you approach it? How do you think about it? How do you try to position it? And given its important to the earnings of the bank how does the regulator look at this, especially in the context of your capital, because if done in a certain way it can consume -- it can be a more capital intensive business.

Tom Flynn - Bank of Montreal - EVP & CFO

Yes, so I tell you we are happy with the capital markets business. You can look at it different ways. It is the second largest group that we have got, generating about 25% of the bank's income. But the way we think about it, the wholesale business does represent about 25% of the total and we are happy with having a retail dominated business mix with a strong capital market business to supplement that.

From a growth perspective we would like to have the capital markets business to give or take through time, grow in line with the overall bank. And we have worked over five to seven years to decrease the weighting that capital markets has in the overall business. We have done that through two things, one targeting lower organic growth from the capital markets business and then secondly looking to make acquisitions in other parts of the business.

And as a result of that we have grown the business, but it has grown at a lower rate and given that strategy that we have executed, we are happy to have the business grow from this point forward and maintain about the same relative position in the overall mix that it has got.

Most of the growth in the business comes from outside of Canada because we have got strong share positions in Canada. They vary obviously by product but on average we are number two or number three in Canada and have a full service offering.

Over the last few years we have invested in the US business, not from acquisitions but basically by adding talent and strengthening the alignment between different parts of the firm.

So that, for example, we have good equity research, equity sales and trading and investment banking across different industries, and the US business is a decent size one for us, its revenues are about $1 billion and the productivity ratio is still relatively high because we have added people and expense and we believe there is a revenue lift that will come.

So we do think that we have good operating leverage that is inherent in the US business, we have confidence in the trends in that business, so there is sort of disproportionate upside on the US side as we normalize the revenue potential off of the expense base. And then beyond that we expect the business to grow with the overall company and add about 25% of the total from an income and a capital perspective. We don't see ourselves as having any particular pressure from a rating agency or a regulatory perspective. And we do think that diversification is a good thing.

I guess one add on which Tom Milroy our head of Capital Markets would always finish with. The ROE in our capital market business is about 19% year to date, 18%, 19%. The bank ROE is 15%, 16%. So it is a very good business for us and it has been a fairly stable business through time, clearly there is a market element to it and a potential for volatility but if you look at it through 10 years, it has produced good stable earnings and a pretty attractive return on equity.

Unidentified Audience Member

Can I ask if you're allocating capital appropriately across businesses?

Tom Flynn - Bank of Montreal - EVP & CFO

We believe we are.

Unidentified Audience Member

Can you talk about mortgage risk weighting? And I think one of your competitors had to adjust up their mortgage risk weighting, not sure if that was driven by regulators or not. But I believe you are at the top end of the range, but I guess it is a concern in the market. So if you could speak to that?

Tom Flynn - Bank of Montreal - EVP & CFO

Sure I will say a few things. I guess the first would be that in general we are comfortable with our mortgage risk weightings. And from time to time banks make adjustments to the risk weights on all asset categories and those adjustments occur for a variety of reasons. You update models, you get new data, you have a regulatory review, what have you. But I think the general view at our bank and in the market would be that the risk weights are reasonable given the riskiness of the product and we are not expecting, at this stage, any significant upward pressure from a risk weight perspective.

And when you say how do you reconcile that to the concerns that does exist in places related to the Canadian housing, I think the answer falls back to the structure of the Canadian market and the absence of any exposure above the 80% loan to value.

Unidentified Audience Member

Can I ask you what risk weight is?

Tom Flynn - Bank of Montreal - EVP & CFO

The risk weights have not been disclosed. You can get from our Supp-Pack numbers that get you into the zone but we haven't given a precise number.

For our mortgage portfolio about 59% of that portfolio is insured. And, the insurance is backed by the Federal Government and the loan value on the uninsured part of the portfolio on average is 59%. So just a few additional numbers to reinforce our risk view on the portfolio.

John Aiken - *Barclays Capital - Analyst*

Tom sticking with the regulatory and the capital regime, can you give us some context about what the potential for the leverage ratio means for BMO and also what other risks are you looking at from a regulatory perspective coming down the pipeline?

Tom Flynn - Bank of Montreal - EVP & CFO

The leverage ratio, we believe we are in good shape. We are above the 3% Basel level. The exact calculation has not been finalized yet and so we haven't disclosed a number because we don't know now to calculate that number at present.

But what we do know at the present time, we don't expect to have an issue from a leverage ratio perspective, we think our ratio compares well to our competitors in the Canadian market. And if you look at an existing OSFI leverage ratio which is called the Asset to Capital Ratio, our ratio is a good one relative to peers.

So the debate clearly isn't over on the leverage ratio and different regulators and different jurisdictions have different points of view on it. But from what we can tell to date we don't think it is going to be a constraint for us.

In terms more generally of things that might be coming on the regulatory side, from my perspective there is just a continuing debate about the whole suite of reforms that have been undertaken as a result of the downturn.

And notwithstanding what we see as very significant changes that have been made in the areas of capital and liquidity and risk management, there is still a number of people calling for further strengthening of bank balance sheets and our hope is that we will settle into a mode where we're implementing the reforms that have been put forward. And with that we will end up with a much stronger system than we had before.

But clearly there is still a public debate going on about what different people think is appropriate and there are open questions as a result of that.

John Aiken - *Barclays Capital - Analyst*

I think we have time for one final question.

Lucky you Tom, I guess it comes from me. After M&I grabbed a whole bunch of headlines but I think was falling underneath the radar screen for a little bit with BMO is you've made some acquisitions in the wealth management side. I was wondering if you could talk to the strategy for wealth management within the US but also what you are doing in other regions, most notably Asia?

Tom Flynn - Bank of Montreal - EVP & CFO

Yes, happy to do that. So, we feel very good about the performance of our wealth business and the prospects for it. The business doesn't get as much attention as some of our other businesses. But it is significant, it represents about 20% of the bank's revenue. It has been growing nicely. Year to date our results are up significantly and in the quarter, the core wealth business was up 37%. So business is well run, we have good share positions and it is an area that we want to grow going forward.

Over the last five years, give or take we have done a number of acquisitions outside of North America. We have acquired two asset management firms that have an emerging market orientation, one based in Hong Kong and one based in London. The firms are named Pyrford and Lloyd George and we are very happy with how those acquisitions have gone.

And with those acquisitions we basically try to do two things, one participate in the flows that the companies have had and will have by virtue of their basic business. And then secondly plug their product into our distribution both retail and institutional. We have got strong distribution on both sides and we are able to accelerate the asset growth that the companies have as a result of that.

We also have been expanding our private banking business in Asia and earlier this year bought a private banking business based in Hong Kong and also having operations in Singapore. And we want to continue to grow in that part of the world. We are mainly a North American bank but we are one of I think it's three North American banks to have a fully incorporated China bank.

So we have got a full banking operation incorporated in China, we have a good wealth business there that basically participates in individuals with wealth in Asia looking to diversify how they manage their affairs and often transfer a portion of their wealth into North America.

So we feel good about the flows and looking ahead we want to grow the wealth businesses organically for all of I think the obvious reasons. And then with the work that we have done around M&I, which basically doubled the sized of the US banking business, increased its competitiveness in the markets that we're focused in, the wealth area will be more of a focus from an acquisition perspective going forward. And within that the main focus is on asset management where we, again, have a good capability and secondly private banking or high net worth.

John Aiken - *Barclays Capital - Analyst*

Great, well Tom thank you very much for your thoughts. Ladies and gentlemen, please join in thanking Tom for his presentation.