Scotiabank – 2016 Global Financial Summit
September 7, 2016

CORPORATE PARTICIPANTS

Bill Downe *- Bank of Montreal - CEO*

CONFERENCE CALL PARTICIPANTS

Sumit Malhotra *- Scotiabank - Equity Research Analyst*

PRESENTATION

Sumit Malhotra *- Scotiabank - Equity Research Analyst*

Our next speaker this morning will be Mr. Bill Downe, Chief Executive Officer of the BMO Financial Group. Bill joined BMO in 1983 and was appointed CEO on March 1, 2007. Good morning.

Bill Downe *- Bank of Montreal - CEO*

Good morning, Sumit.

Sumit Malhotra *- Scotiabank - Equity Research Analyst*

Thanks for being here.

Bill Downe *- Bank of Montreal - CEO*

Thanks for having me.

Sumit Malhotra *- Scotiabank - Equity Research Analyst*

The question that I started with Brian is one I want to hear from all of my guests today and that's to talk about the resilience within the Canadian banking sector. The comment I made to Brian was it seems like we spent a lot of time, especially post the crisis for bank watchers globally, thinking about all the things that can go wrong, and for good reason. In Canada, we've had questions about housing, questions about capital, questions about energy, we're running out of some of those problems. We are doubling back again, but I wanted to put it to you. From your perspective, what do you think the market is underestimated or underappreciated about the Canadian banking system and then maybe more specifically about the Bank of Montreal?

Bill Downe *- Bank of Montreal - CEO*

Thanks for the question. It kind of goes into the centre of what we think is going to drive our business in the future and that is that I think we have a unique system and that we have a balance of businesses. They don't always run at the same point in the cycle, at the same level of growth, but it really is a diversification by geography, market segment, and that's really paying off.

If you look at the third quarter, BMO had really strong results, but I think the second quarter was really in the same neighborhood, somewhat masked because we took a restructuring charge in the quarter and we wrote down an asset, but year-to-date, the numbers I think, really support your thesis, the ability to grow revenue at 8%, generate operating leverage above 2%, basically rebuild the capital of the bank much more quickly I think than people had anticipated post a very significant and good acquisition for us, and really did that from retained earnings and the management of risk-weighted assets.

I think we've underestimated the impact of good expense control at the same time as we're able to invest in digital technology and it's really that balance, I think, that has been for me the most gratifying part of the story. And we're going into next year with good momentum across all of the dimensions that I mentioned. We earned through higher provisions for credit loss, but even there, provisions at 29 basis points are below the long-term expected loss if I look at 30 years' expected loss rate of the bank, which is probably 10 basis points higher. And I think that what we have not done effectively, is stand back and look at the totality of the picture. We focus on one thing - what's going to happen to provisions or credit loss rise, what happens if the Vancouver property market is difficult, what happens to the price of crude oil - but in aggregate, the earnings power of the bank is strong. And I think the word well-diversified really explains it. And the other thing I would just take a second on, Sumit, is to say that digital technology falls into the same category, a source of anxiety, I think, for many who follow the industry, failing to understand that these are really levers that can be used to improve the productivity of the bank and dramatically improve the customer experience and that is how you can have confidence in the future growth rate of the bank. And with the U.S. economy basically growing well, U.S. economy at full capacity, Canada is benefiting in the same way.

Sumit Malhotra ***- Scotiabank - Equity Research Analyst***

You mentioned some of the benefits from an earnings perspective that the bank has been able to garner as a result of increased focus on efficiency, and the restructuring charges have obviously played a role in that regard. So let's start with this comment. BMO on an all-bank level has had a higher efficiency ratio than peers for a number of years. I think a lot of that has to do with business mix. Is this restructuring initiative or initiatives that the bank has announced really targeted on bringing that number more in line with the industry or are there specific pockets of your business where you felt we've got a position for what is going to be a different banking environment than we've had for quite as long as you can remember?

Bill Downe ***- Bank of Montreal - CEO***

Well you don't want to run a bank by a single ratio, and if you look at the last six or seven years, we've really changed our deposit-gathering footprint and made an acquisition in the United States that we've continued to invest in. You're right, business mix does have an impact. We have a larger wealth business relative to the size of the bank. We have a smaller retail banking business in Canada relative to peers; that's a contributing factor, but we are pushing for a broader footprint and the ability to manage the physical assets and the infrastructure -- the technology infrastructure of the bank and the brand on a North American basis, and that took some relatively heavy investment.

Bringing that expense-to-revenue ratio down towards the median of the group is only possible when you've completed that really important, what I consider to be foundational building, and we took a charge in 2015 and we more than recovered the cost of that in the annual run rate. We're going to do the same thing with the charge that we took in the second quarter and we said of the $200 million, we ought to get to a run rate contribution of the same. We've already captured 25% of it, so it's going to help going into next year. And I would say it's different than just basically shaving the tops off, the cost allocation to different businesses. We've challenged the businesses individually to look at the structure, the way they go to market, where their assets are aligned. And in both the 2015 and 2016 charge, we've taken out things that are not going to come back in. So it's not a question of pushing down cost and then feeling it come back.

And I think in a more digital world, and it is going to be a much more digital world. The model of the bank, a heavy focus on customer relationships, we're going to be able to take a lot of cost out of the back end, at the same time as we're doing that.

Sumit Malhotra ***- Scotiabank - Equity Research Analyst***

And I want to flush out a little bit more of a conversation that you and I had on the call and that was around what has resulted in the operating leverage or the efficiency drop becoming more apparent to us on the outside in terms of the efficiency metrics. For a long time, and I'm going to put it this way, I think a couple of the key buzzwords in the industry have been restructuring and technology. And at least initially, it appeared that a lot of the expense benefits associated with the restructuring, were making their way into investment spend around new technological initiatives.

When we see the operating leverage getting stronger on an all-bank level, should we conclude that either investment spend or regulatory compliance spend is starting to moderate or are there other issues that play here?

Bill Downe ***- Bank of Montreal - CEO***

I think that on the topic of regulatory spend, I think the benefits of heavy regulatory spend post the Great Recession, initially were simply to meet regulatory requirements, but depending on how you invested the money, if you invested in the underlying architecture of the bank in order to be able to make changes faster and able to communicate back against the regulatory reporting requirements in a way that was reusable, it was inevitable you're going to have this bulge of investment that didn't translate into improvements in productivity, it simply addressed the rising regulatory and supervisory requirements. But we spent enough time thinking foundationally about how we are going to invest those dollars that we're getting a benefit from that regulatory spend in that new product introduction is much faster and much less expensive as a consequence of the foundational changes that we've made.

So as an example, e-Signature was only just legalized in Canada in the last 90 days and we rolled out almost immediately, I mean within less than three months, the ability to open an account on a mobile device in less than seven minutes. That was enabled by two things. It was enabled by a change in legislation that recognizes we're going to a more digital world, but it was enabled more by the work that we did in 2011, 2012, 2013 and 2014 on the underlying foundation.

And I think the other example is in the investment space where we were able to roll out SmartFolio in about the same time, about three months, and it really runs on a platform that was developed over 2.5 years for a previous release, but the cycle times are coming down and the relevance of these offers, the timeliness of these offers, is able to come much more quickly. So I think that there's really been two benefits to heavy regulatory spend. One is the normalization of our environment on two sides of the border and then the other one is the ability to bring new product innovation much faster.

Sumit Malhotra ***- Scotiabank - Equity Research Analyst***

I think it's a natural foray from some of that expense commentary right into technological initiatives and maybe where the future goes. So let's look at it this way. First off, on physical distribution, in the U.S. post the M&I transaction, which closed a few years ago, we've seen the branch count start to move lower. I think some of that was outright sale of branches you had in the U.S. We've seen a smaller reduction in Canada. As more and more of your interaction with your customers moves outside of that channel, is it reasonable to assume that we're going to see a more substantial decline and that maybe another lever for expense savings. That would be part one.

Part two, you touched on SmartFolio and some of the initiatives you've introduced, maybe to put it to you in other way, where do you see the biggest threat in your business from what we would consider to be non-traditional banking players because at least for now, especially in the Canadian results, it doesn't seem like we're seeing much for the industry?

Bill Downe ***- Bank of Montreal - CEO***

On the physical distribution, first of all, it depends on how you go to market. If the way you go to market is with a focus on relationship and relationship building, guidance and advice, I think it's going to be very difficult to depart from physical space where you can have bankers meet clients, whether they're savers or investors, whether they're borrowing or they're building a business. And the truth is that whether they're millennials or people who are older than millennials, there is a certain level of trust that requires a face-to-face interaction. So I think the notion that we're going to do away with physical distribution points is going to have to be tested by time. I don't think that's what's going to happen, but if you look at the physical space, you know a traditional bank branch, and you can go back 10 years or 15 years ago, about 10% of the floor space was open to the public and 80% was people in the back doing work. Well, that work has been moved elsewhere and I think what you should expect to see, and really ought to be the focus is the entirety of the branch, ought to be interaction space between bankers and clients. And it may be that requires 25% or 30% of the square feet that you historically required and I think that's where the focus ought to be, because if you can re-order the space, you can bring down the cost because every desk had a phone, has had a computer or a tablet, and it's really a question of reducing the operating expense around that physical interaction.

And clearly the lower value activities on a mobile device, now you can do it yourself, and the reliability of transaction completion or fulfillment, the accuracy, all of those things have been rising. So I think that we look at that physical space, and in the United States a number of the locations were a consequence of multiple acquisitions. We had acquired a bank that had made multiple acquisitions and not all of the locations that came with those acquisitions would have in our view been in the ideal location. So, the pruning that's taken place or the reduction has said, you know, in low traffic areas, low opportunity areas, it doesn't make sense to have a physical distribution point. But in contrast to that, I would say in urban areas where you have high density, more distribution points may be appropriate and you see that in other retailers where they've been able to benefit from being in the path of traffic and they can afford, as long as the space is light, they can afford to have more distribution points.

So, I'm pretty excited about the prospect of reforming. We have just about 600 bank branches in the United States. We have 900 bank branches in Canada. They now run on a common platform. The branding is common. New product introduction is common. We'll be able to revitalize many of those locations in a way that drives revenue up, not down and drives expense down.

Sumit Malhotra ***- Scotiabank - Equity Research Analyst***

Let's look at your business, particularly in Canada, where Canadian P&C results for BMO and the industry have been quite solid. What are the greatest areas of concern in your business that you feel particularly non-traditional banking players present? I'd just say this off the top, there was a good amount of press about Apple Pay when that was launched, and in most of my conversations with the Canadian banks, they didn't really view it as a material threat to their at least near-term profitability. So I've kind of thrown that one in, but just what are the areas that give you some concern that this fee income line or this transaction capability could be something replicated by a non-traditional banking player?

Bill Downe ***- Bank of Montreal - CEO***

I think owning the relationship is critically important and you earn relationships, you're not entitled to them. And I think as different payment alternatives come into the market they do not have the ability, I don't believe, to control the customer relationship. And I think the reason why we were quite comfortable, we introduced Apple Pay in the United States to our customers long before the launch in Canada, is that a certain portion of our customer base wants to use that capability on the device, but a different group of customers would like to have wallet that's a BMO wallet and then there are customers who use other versions. The card issuers are all coming out with alternatives as well.

But I think the importance of being a relationship-focused bank is in most cases, the customer is coming to us and saying, what do you think, what are the options available to me, what do you think I should do, what would be the best thing for me, what's the best thing for my family. And owning that relationship is it requires a real focus on making certain that you've thought through the implications to the customer and you're able to bring the combination of really the four dimensions, the ability for people to control their spending, to grow their savings, to invest wisely and to borrow smartly, and all of those things can be facilitated on mobile devices through multiple channels, multiple providers and in the same way that a company like Amazon wants to own as much of the client relationship. I think there's a space around the management of your financial assets where trust and reliability being current.

And then, coming back to mobile adoption, bringing things quickly to market that are functionally useful to clients, but don't ever believe that a function on a mobile app translates into a relationship because it doesn't. That's really a question of convenience.

Sumit Malhotra ***- Scotiabank - Equity Research Analyst***

I want to switch over to capital. And you mentioned it when you were recapping the recent results, I think it's become a recurring pattern with BMO now that you undertake an acquisition and I'm a little bit concerned about where the capital level stands, and it seems to rebound a lot more quickly than at least I have expected. We saw that with M&I; we saw that with F&C; and again this quarter after the Transportation Finance purchase. So the pattern has been, you buy something, you rebuild, maybe there's a little bit of buyback activity in between until you find something else that is of interest. What's interesting to me is that with the larger banks in Canada, the big four banks now closer to 10.5%, your CFO said on the call, we probably would wait a little bit before we put the buyback in place. So direct question, are you managing capital at a higher level than has been the case in the past?

Bill Downe *- Bank of Montreal - CEO*

I think the question was a good one because we've always said that a higher capital level gives you the flexibility when an opportunity presents itself to move relatively quickly and quite often, it gives you some advantage. And I think the last three acquisitions that we made as a bank were somewhat unique as a consequence of being in the aftermath of the Great Recession and that many potential -- many other potential bidders were sidelined either because they didn't have sufficient capital or their regulatory house wasn't in order or they didn't feel as though they had the systems infrastructure in place to bring on new business.

When you make an acquisition, your existing systems, which may be running really effectively, come under an enormous amount of additional weight and that can put stress on everything. And I think part of the thought process isn't simply the building up or husbanding of capital in anticipation of opportunity, but it's making sure that the underlying capabilities are there, so that you can bring businesses on relatively quickly. And in the case of the acquisition we announced at the end of 2010, we knew we were going to have to build a North American platform in order to slide that business on and we weren't going to be able to combine the two US.. businesses and be able to compete in the long run with people who have much bigger distribution systems. So that was kind of a thought process about how we're going to do that and it had a great deal more to do with the underlying capabilities than it did with capitalization.

But as you said on the date that we announced that transaction, we had the strongest CET1 ratio, I believe, in the industry. And we had the confidence to be able to go down from above 10% in 2010 to the high sixes in closing that transaction, and we had thought about how to rebuild capital quickly enough that it would reduce regulatory anxiety, but also get us back in a position where we had some flexibility. The acquisition that we made in Europe really required us to take a look at the Global Asset Management business in a different way and say we can no longer run with geographic verticals where the United States does its thing and has a great investment performance, but is only focused on U.S. clients and Canada is a terrific source of revenue and profit, but it's an isolated business.

We did the work to say we can operate on a global platform before we announced that transaction. We built our capital up, and we are able to close that transaction and integrate rapidly. And we're going to see progressively more efficiencies out of that business.

So there is two parts to it. One is using all the tools that are available to have capital available and make acquisitions and then rebuild quickly. And I think we've demonstrated that you can use a variety of tools in order to do that, not the least of which is really being able to manage risk-weighted assets post an acquisition to not limit any business, but to ensure that you get back to a position of flexibility fast. So, I think you've cited three transactions. All of them have been highly accretive. All of them have been very constructive to the long run competitiveness of the bank. And I think being upfront about the fact that you're going to have stronger capital before you make a transaction or go into a transaction is a good thing for the market to know.

Sumit Malhotra *- Scotiabank - Equity Research Analyst*

So with that stronger capital, let's think about or talk about deployment. When you did the M&I transaction, it seems like long time ago, just about six years ago now, a lot has changed in the banking sector subsequently. At that time, and I know there was an Investor Day and trip to Chicago not long after, you talked about some potential areas of the footprint that you'd like to see filled in from a geographic perspective, obviously very strong in Illinois and Wisconsin, but some of the surrounding states perhaps would be an area. Since then, we haven't seen any branch-based acquisitions from BMO and I think for the sector as a whole, we could say that in the U.S., until recently. Instead you did the asset management deal in the UK and then subsequently this, so-called portfolio or a -- it's certainly not a branch-based deal in the Transportation Finance, you purchased some new capabilities.

Are branch-based acquisitions given some of the shifts in customer behavior that we've talked about, even something that's on the -- (fire alarm).

Sumit Malhotra ***- Scotiabank - Equity Research Analyst***

So, branch-based acquisitions is, given the shifts that we've had in customer behavior technology that we talked about, is that even something that's on the radar anymore or is the fact that you've moved away from that as an acquisition vehicle telling us exactly what we need to know?

Bill Downe ***- Bank of Montreal - CEO***

I haven't ever really thought about acquiring branches. I thought about acquiring customers, and you've asked me these questions many times and I always start with organic growth, and what we've been able to do is generate good organic growth in the footprint that we have in the Midwest and in commercial banking. We have effectively expanded that market service area beyond where we have branches. You're right that with physical distribution in some kind of a transition, the question of are you buying bricks and mortar, are you buying customers, is really a critically important one.

The interesting thing is that people who are essentially stuck in the old model are going to come under a lot more pressure, because I don't believe they're going to be able to evolve their distribution system. They can buy mobile capabilities basically off the shelf. Smaller regional banks can buy mobile capabilities off the shelf and they can introduce them, but they can't get the economies out of the change in the business model. They're basically buying more capabilities to make available to their customers. So they're going to be in a squeeze. I think they're going to be in a long-term squeeze, where the cost of meeting a higher regulatory reporting level, the ability to integrate, mobility, breadth of product. So I would expect that the cost per physical distribution point, the cost of purchase per physical distribution point is going to get depressed.

So I think there may be some opportunities for targeted acquisitions that are helpful to infill, but when you did that you'd have to figure in the cost of reconfiguration and say that's going to be a cost of doing business. In the same way when you have overlap, you're going to have to eliminate some distribution points, you're going to also lose some customers in the process. So I don't think the calculus changes very much, but I think there is a maturing that's going on in the understanding of the Boards of Directors of the kinds of banks that might be complementary to us that the time to move may be sooner rather than later and that is clearly the case that the shareholders of M&I who took Bank of Montreal stock fared exceptionally well relative to what the alternative might have been, but they just absolutely fared well and there may be some opportunities still in that footprint.

But I think that it's just a different game today than it was a decade ago. A decade ago, we were in a unit banking state, and we are trying to build the core of a footprint and build the deposit base. Today, we have a very concentrated distribution network in six states that have an economy bigger than the economy of Canada. And so, now the question is how do we optimize by infilling and then if there are things that are around the borders of that footprint where we can expand, do we do that organically or do we do it by acquisition.

You mentioned Transportation Finance, and I think Transportation Finance fits into the model in that we acquired capabilities. We acquired a lot of customers. We acquired a business with the centre of gravity in Dallas. We have been in Houston -- actively in Houston in the oil and gas business since 1961, but we're taking a different look at the State of Texas between Houston and Dallas now, and we have a reasonably large population of employees. And we know that we can put commercial bankers into that market today, whereas it'd have felt like a de novo maybe a decade ago. So I think we can open up more markets organically than we could have in the past. And I think that remains the best path to growth. Organic growth is the most accretive, then acquisitions would come second and then for use of capital, buying back stock, I think, would be third.

Sumit Malhotra ***- Scotiabank - Equity Research Analyst***

I want to get -- two more in here and as always, time keeps on ticking. Let's focus on the U.S. business since we're already kind of there. Two questions come to mind. Obviously, a lot of on-again/off-again conversation in regards to the Federal Reserve with one rate hike this year. Your business trends have been very good in the U.S. and obviously the Transportation Finance transaction has helped that. That said, we also saw some pretty sizable margin compression in the bank's Q3 numbers. As you're forecasting or thinking about the business plan for that business, are you viewing higher interest rates as a key driver and the way I want to lead into that, obviously you have a relationship with the Federal Reserve, my question there would be last time around when we had the rate hike cycle from Mr. Greenspan and Mr. Bernanke, it didn't seem like U.S. banks were getting huge NIM expansion. Given the competition in the system for balance sheet growth, are higher rates that much of a driver of revenue for the industry as a whole?

Bill Downe *- Bank of Montreal - CEO*

Well the closer you are to the zero bound, the more it helps. So right now, the first rate rise late last year was very helpful. And I think rough numbers, a 1% increase in administered rates is worth a couple of hundred million dollars to us and something less than two-thirds of that will be in the U.S., about a hundred for administered rate rise. So the truth is, we're not running the bank with a dependency on rate rises, but I think that's a benefit that will come with time and whether it's September or December is largely irrelevant in the grand sweep of things. Administered rates are too low. As I said, the U.S. economy is running essentially at full capacity now, and to have monetary stimulus staying at the level where it is, is not consistent with what the Fed would define as good policy. And so, I think that there is going to be a movement of rates up. But we're not running the business, we're not making decisions dependent on that.

The performance of our U.S. business continues to be strong across multiple dimensions in spite of low rates. And you have to take whatever the circumstances in the market is and figure out how to make your bank growing and improve your profitability. If interest rate increases come, administered rate increases come, that's a benefit and it makes you look smarter than you really are; that would be okay. You don't need to say it's necessary. I think that's a real benefit and I think that ultimately will come into the thesis, but it's not how we're thinking about running the business.

Sumit Malhotra *- Scotiabank - Equity Research Analyst*

The portion that's more under your control is again your customer base and your ability to bring new business in the door. Commercial loan growth has always been a strong suit of BMO on both sides of the border and that's certainly been in place since the merger with M&I was completed in 2011. Consumer side of the equation has been a challenge. I think it's fair to say over that period, we've seen deleveraging in the U.S. consumer space on the whole, but I've been surprised given some of the investments that you've discussed, and your new management team in the U.S. has discussed, in trying to accelerate consumer loan growth that we've continued to see decreases in that regard.

I'm kind of packaging your different components of consumer together in terms of real estate, auto and so forth. So maybe some comments from you on how comfortable you are in the ability to sustain commercial loan growth in at least the high-single-digits where you've been for some time and how you're viewing your performance in consumer?

Bill Downe *- Bank of Montreal - CEO*

Well, on the commercial side, going beyond the acquisition of Transportation Finance, both loan and deposit balance growth has been -- has continued to be very strong in United States and that has to do with the quality of the workforce that we have. Commercial banking is a business where I think you have to build your workforce. You can enhance it through outside hiring, but it takes about a decade to develop a really strong capable commercial banker, and I think that talent has to be internally developed. Our market share in commercial banking in Canada is about twice our market share in retail. And so, commercial is an important part of the bank, but it's also a well-recognized capability.

In the United States, we didn't falter post the recession. A lot of banks slowed down, pulled back, retreated, laid people off. And in fact, we took the opposite approach, said that we had sustained lower losses than median across other portfolios, and we were back in the market, telling people we're going to help them grow their company. So I think the brand of -- the commercial brand of the bank is very strong in both the United States and Canada and that serves us very well. So I have confidence that those growth rates will continue.

With respect to retail banking, we have a first-class branch system. We have a good online capability. We're bringing the mobile products a very fast into the U.S. market, and we're innovating in a number of areas that stand out in the market. You've seen some of the smart branch capabilities that we've been deploying, but I think it's partly a question of demography. And we haven't seen house construction rates in the United States equal to demand for housing for a decade. So there is a deficit in available housing. If you look at the occupancy rates of rental housing, they are very high. Rent rates are rising across all of the markets that we serve. New home construction is just starting to pick up. Year-over-year, I think the most recent month was up 14%, but until you get an expansion of new home construction, I don't think you'll see healthy retail loan growth anywhere in the market.

We also have reduced our indirect auto exposure as part of the management of risk-weighted assets with the acquisition of Transportation Finance. So when you bring your indirect auto loans down by $1 billion or $1.5 billion, it offsets the natural growth that you're seeing in home equity loans and in home mortgages. I think we're basically at the inflection point now, and we said at the end of last year that it would be mid-2016 we thought when we got into the inflection point. So I'm looking forward to seeing slow but progressive growth in 2017. And I think if the new home construction business picks up, it's going to translate into higher levels of consumer credit, which makes sense.

The consumer balance sheets are very clean now. We see upward movement in FICO scores across all the portfolios. So the average FICO score in every portfolio that we have has been rising and that tells me that there's a lot of borrowing capacity and when you start building houses, they have to be furnished and there's a positive effect even to the point that baby boomers who may be, not stuck in their houses, but staying in a house that they've owned for a long time, waiting for higher prices, will see prices bid up, a more liquid market and will see more movement.

And I would put that in a two-year, three-year time frame where I think the retail bank will turn out to be quite valuable. But until then, fortunately commercial banking is very strong and it is a core capability of the bank.

Sumit Malhotra ***- Scotiabank - Equity Research Analyst***

We're heading into a break here. So I wanted to give you the opportunity to make a few final words or comments to your shareholders.

Bill Downe ***- Bank of Montreal - CEO***

Well, I think you summed it up with your opening question. Really, it isn't a matter of what is the market missing with respect to Canadian banks. I think you just have to look at the total picture. In the case of BMO, I can point to the strength and resilience of personal and commercial banking in Canada. Obviously, commercial is a very strong component of that. We've earned through higher provisions for credit losses. We've been able to make adjustments to the cost structure of the bank, turning in good operating leverage. Wealth management, which was clearly affected by weaker equity markets on average, and in the course of the last 12 months, is benefiting from much stronger equity markets and that's going to give us positive momentum in that area going into the U.S.

And the one business that we haven't talked about is Capital Markets. And our Capital Markets model where Investment & Corporate Banking as a North American capability, mid-cap capability, is really starting to benefit from the structure of the business, and we've seen a big pickup in the M&A pipeline and that's going to lead to both equity and debt underwriting volumes I think as well. We just acquired a really nice team in Minneapolis to augment our M&A businesses. And so I think all parts of the company have good prospects going into the last quarter and into 2017. And I don't think it's an accident. It's really the consequence of multiple actions that we've taken as a bank over a long period of time, and the cumulative effect is growth and earnings momentum.

Sumit Malhotra ***- Scotiabank - Equity Research Analyst***

Good.

Bill Downe ***- Bank of Montreal - CEO***

Thanks for giving me the opportunity to wrap it up