BMO Financial Group

Bank of Montreal at RBC Canadian Bank CEO Conference
January 12, 2016

CORPORATE PARTICIPANTS

Bill Downe

CEO – Bank of Montreal

CONFERENCE CALL PARTICIPANTS

Darko Mihelic

Analyst – RBC Capital Markets

Darko Mihelic - ***RBC Capital Markets - Analyst***

Good morning, Bill.

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

Morning Darko, how are you?

Darko Mihelic - ***RBC Capital Markets - Analyst***

Good, thank you. How are you?

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

I'm well, thank you. Happy New Year.

Darko Mihelic - ***RBC Capital Markets - Analyst***

Thank you, to you too. Okay, so just before we begin, I'll start with the formalities. On behalf of those speaking today, I would note that forward-looking statements may be made; actual results could differ materially from forecasts, projections, or conclusions in these statements. I'd also remind listeners that BMO uses non-GAAP financial measures to arrive at the adjusted results to assess and measure performance by business and the overall Bank. Management assesses performance on a reported and adjusted basis and considers both to be useful. Bill will be referring to adjusted results in his remarks, I'm hoping, and unless otherwise noted. So, additional information on all of these things can be found in the annual MD&A in BMO's fourth quarter earnings release and on Bank of Montreal's website.

So, with that out of the way. Bill?

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

You and I are free to go anywhere we want now.

Darko Mihelic - ***RBC Capital Markets - Analyst***

So now we can touch on all the tough topics. Maybe -- we kicked it off with a very difficult topic with Dave, I want to kind of make sure that we cover a lot of different ground with all the different CEOs today, so in this instance, maybe I can ask you to talk about the Canadian economy, and maybe also weave in the U.S. Midwest, what your outlook is for the economy given low oil that's obviously in the headlines today.

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

Well, I think that's a good place to start, when you think about each of our businesses you have to do it in the context of the economy and we've been talking about stronger economic growth south of the border for some time, being supportive of Canada, and I think that's actually proving to be true, notwithstanding the headline visibility of the price of crude oil and the price of natural gas, and actually the price of metals as well. Global commodity prices being where they are, we're still seeing reasonable economic growth in other parts of Canada, away from the oil producing provinces and so I think if you have in your mind a 2% or 2% plus growth rate in Ontario and Quebec combined, likely Canadian economic growth will be in the low 1%, 1.1%, 1.2%, 1.3%, which is I think for a natural resource heavy economy, not really that difficult an environment. There's going to be concentrated problems in provinces like Alberta, but in aggregate the economy is going to be soft relative to potential, but still positive growth.

Darko Mihelic - ***RBC Capital Markets - Analyst***

And maybe just, we had Dave up here who spoke about the outlook for provisions for credit losses in the oil and gas book is something that we're probably going to touch upon with every CEO. I thought you guys were pretty clear on the last conference call with respect to, sort of a view on overall losses for BMO in 2016. Maybe you can touch on that number and is the outlook any different today after seeing what's happened with the oil, really collapsing down to $30 a barrel?

Bill Downe *- Bank of Montreal - CEO*

It's been an interesting year because at the time of your conference last year crude oil was trading in the high $50's. There was a wider gap between Brent and WTI. It wasn't clear how long the Saudis were going to hold on and the debate was, well, what happens with $50 oil? And the stress test we ran at that time contemplating under duress what would the portfolio look like, and how would that translate into the rest of the economy, down to $35 a barrel, made some assumptions about the behavior of customers and the behavior of markets that have turned out to be a little bit conservative. The producers have been quick to derive the benefits from cutting their exploration budgets dramatically, which they did in the first half of the year and they're starting to see some of the benefits of really strong discipline around costs - production costs, lifting costs, transportation costs, SG&A and those are showing up in the latter half of the year.

We've seen some quick responses around disposal of assets, dividend cuts and it's the case now that when we stress down to a lower level and we use a working model now for stress of $35 average, for this year and I recognize that today the price of WTI is below that, but I think that's a reasonable price and assumption. In 2017, of around $30, of exactly $30 a barrel which recognizes that there are still people with the benefit of hedges, and not returning to $40 until 2018.

And in fact, with the benefit of a year's experience, loss rates are about the same, Darko. It's not throwing up much different in stress and the credits that looked like they were going on the watch list and looked like they were going to require some attention, a number of them have been successful in the first part of the year in accessing the term high-yield market, which has gone away now, but in the latter half of the year in taking other measures. So, a little bit surprisingly, I think they've responded faster than they did in the last big downturn.

So when we run that through, remembering that only 2% of the loan portfolio is oil and gas and assuming that under stress, the losses go up to 40 basis points, which we have deep experience in the sector, doesn't really have a big impact on the aggregate losses for the Bank. And in fact, I think we'll see some benefits in other parts of the portfolio, because the cost of transportation fuel, heating and cooling, all of these things have come down dramatically and they're flowing slowly into the rest of the economy.

One of the benefits of the hedge positions that are in place is that it's cushioned the drop for producers, so they were able to adjust their expenses ahead of the decline in the cash flow that they're receiving. It's also the case with respect to those hedges that consumers' costs are coming down as those hedges work their way off as well, right? Because there is -- the market is usually a pretty well matched market.

So I think that the benefits in the rest of the economy are being underestimated at this particular time. And particularly with respect to the U.S., the U.S. economy is adjacent to Canada, so much larger, and that's why we think that it's not unreasonable to expect 2.3%, 2.4%, 2.5% GDP growth in United States in 2016. Also positive, because we have a large book of legacy assets in the United States, most of which are still carrying the risk rating memory of the Great Recession and as we get subsequent years of experience with very, very low delinquency rates, very low realized loss rates, I am talking about extremely low realized loss rates, we still have, I think, positive loss experience that will flow through from the U.S. and I think that provides a little bit of a buffer as well that may be missed.

Darko Mihelic *- RBC Capital Markets - Analyst*

And that's interesting because, I mean, we are all sitting here impatiently waiting for loan losses to jump on oil. I think we will probably get some oil bumps in the road, but you're mentioning that you are looking at possibly having some sectors of benefit. Can you speak to maybe credit cards, you've been shunning away from auto for a while, and maybe you're back in the market, but can you talk about the retail portfolios, any other knock-on effects possibly from low oil?

Bill Downe *- Bank of Montreal - CEO*

Well, the retail portfolios to me are very interesting, because the Canadian consumer has been able to spend for almost a decade by increasing household debt and that rate of growth of household debt has moderated dramatically, I think it's down to maybe 2% or 2.5% growth. When you have that kind of a growth rate in household debt, by definition loan growth has declined materially as well. So I think on the one side for Canadian banks, and we have this view, we can think about revenue growth at levels significantly below where they were, when in the consumer sector, when you had that rapid growth, but you have an improvement in credit quality.

And in 2015, we did some things with credit cards and with auto lending that recognized some apprehension about the level of debt and where the most vulnerable parts of the consumer borrowing base would be, and we're satisfied with the changes that we made. So I think in 2016 and 2017 we can, on a relative basis to our previous performance, do a little better in cards and do a little better in some of the other areas of consumer lending, still consistent with relatively low underlying growth and as a consequence, very strong controls over expense growth. If you think in terms of that segment of the business being able to grow revenue, let's say, at 5% plus or minus, and an operating leverage objective of 2 points, expenses controlled at 3%, you still end up generating bottom line growth somewhere in the 5%, 6%, 7% range, which is not unreasonable given the state of the Canadian consumer.

And then you look at the difference regionally, and the stress tests that we run incorporate assumptions around the downturn in Alberta, increasing the unemployment rate from a very low level relative to the rest of the country. But let's say, as high as 10% and a contraction in the Alberta economy of 4% and you still get a relatively balanced view of total loan losses across the Bank.

I like to look back at 1986 as the best analog for a contraction and you recall that the price of crude oil dropped about 85% from peak to trough and if you go back and look at it, the Alberta economy and the Texas economy both contracted about 2.8%. In one, it took two years and ,the other, in one year. And the price of crude oil recovered over a three-year period, about 50%. So, I mean, to me, that's a pretty good analog. So, when you run a stress with 4% contraction and you saw -- you have a previous analog and a less diversified economy, about a 2.8% contraction -- and I think we're probably in the right place for stressing.

And at the same time, you've got to ask yourself, well, how low could it go? And in that sense, we have done a sensitivity around just the oil and gas portion of portfolio at $30 and we're going to do another one at $25, but you start to get into diminishing returns with stress when you get to a level below the replacement cost of reserves, because if you think about it, the world is almost in balance, somewhere in the high 90 million barrels a day. United States produces about 10% of that, about 9 million barrels a day.

And both supply and demand are highly elastic. World demand has increased by 1.6 million barrels in the last 12 months. We haven't seen very much contraction in the supply and part of that is because producers at the margin right now are trying to maximize cash flows, they're scrambling. But rational managers of assets are going to start to focus on their highest margin producing wells and they're going to start to shut-in the ones that are marginal, because they want to be able to start to cut their overhead costs and SG&A and all those other things. So, you know, I think using -- once again, using 1986 as an analog, it means it'll take pretty much all of 2016, all of 2017, for the full benefits of a change in the supply equation, but that's really what we've built into our models, and that's in our assumptions.

And I think the same thing when we look at our valuations, the support -- the credit that we extend. There is an assumption that prices are soft, don't build very quickly, but, ultimately, you have to have a $50 a barrel scenario in mind, maybe at the horizon of two years or three years, or the world's supply of oil is going to start to mirror the decline curves of the mature production and will come down fairly significantly. Maybe that's too much information in one shot.

Darko Mihelic - ***RBC Capital Markets - Analyst***

It goes to show you’ve done your homework. Can we talk -- you touched on expenses, and one thing that's unique to BMO is you've got a very aggressive 2% operating leverage or more, in fact that's the verb you guys used. Why so aggressive and what is it that makes BMO so special and that they are going to be able to target 2% operating leverage?

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

Well, if you look at the last four or five years, we've had some very significant undertakings. We have been investing and after making the acquisition in the United States, we moved our U.S. business into a new category, we moved up in terms of size and visibility and we also dramatically increased the retail footprint.

And in many of the things that we've been doing in retail banking and small business banking, we're able to survive on more manual processes, more labor intense processes, the relationship managers doing a lot of the work manually. But the combination of regulatory expectations about the ability to deliver granular data, and that's really shows up in the DFAST and CCAR, and all the work that's necessary to be in full compliance with BSA, Bank Secrecy Act, and anti-money laundering legislation, gave rise to heavier than normal investment in underlying systems around the management of data.

And on the other side of that, I think there are two kinds of benefits that we see on a North American basis, because a lot of this investment for the first time in the history of the Bank was done with a view of a single system, not a Canadian bank and a U.S. bank. When the U.S. Bank was subscale, we tended to do things with a separate architecture. But we moved to a common architecture and that's given us the benefit of 1,500 or 1,600 bank branches on a common framework.

And now, we have the opportunity to start to extract value from the reduction in retail or in manual processes on the retail side. And we have a line of sight across a number of dimensions, very specific dimensions of how we're going to be able to take some of those costs out and realize the benefits of the investments that we've been making.

And then, I think the second dimension, Darko, is if you look at the shift in consumer behavior and the growth in mobility, the underlying value to the customer or the utility of the information, any information management that we have is far greater when they are able to use an interface like a tablet, and do things for themselves that they historically relied on either their banker or someone in the call center to help them with.

So, I think on the customer experience side, we can see real benefits in satisfaction, confidence, but even more importantly the benefits of self-service around a lot of the transactional nature of what was done in our retail distribution system. And that's really giving us a line of sight to more sales initiatives both in branch and the origination of new business online, and we're seeing a really nice pick up in origination rates online, at the same time as we're seeing an enrichment of the experience in the retail system.

So, there is really two parts to it. One is -- and if you think about our five strategic priorities, the first one is customer and the second one is productivity. There are some very strong levers that we believe we now have a good grasp of and good line of sight to the benefits and that's why we've expressed some confidence in that operating leverage objective. We also have a Chief Operating Officer, who is deeply experienced in each one of our businesses, and he is working with each of the groups and across the functions to ensure that in each one of the rows and columns in 2016 and 2017 that the numbers that we've identified are achieved.

Darko Mihelic - ***RBC Capital Markets - Analyst***

And so, can we touch on the business units now that we'll just -- we'll start maybe with the Capital Markets business just because it's so volatile out there. Can you give us sort of an outlook and a view on what you're expecting shorter and longer term for the Capital Markets business?

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

Capital Markets, I'm extremely satisfied with the way that management approached 2016 and particularly the volatility that you referred to, because I think in this business, the management of risk is extremely important and the exposure of the balance sheet to the movement in prices is also extremely important.

Across the industry, we've seen certainly a reduction in risk-weighted assets, in inventories, that's been a contributing factor to volatility as well. But the heart of the business, the reason why the business exists really relates to clients, particularly investment and corporate banking clients. And I think in that respect, we have a somewhat unique proposition, because we're a mid-cap investment bank, North American mid-cap investment bank, that's the sector that we focus on.

We don't go head-to-head with bulge bracket firms in the high-end of the market. We have a very large installed base of mid-market clients in United States, particularly in the Midwest and we focus really on areas of sectoral expertise. Oil and gas being an example, where you really shouldn't be in the business if you don't have your own internal engineering capability, if you're not leading more deals than you're participating in, and if you don't have really a quality control process that says you want to be dealing with the best companies, with the best assets, with the best opportunities, and that's a self-fulfilling proposition because the best companies with the best assets really want to have their access to credit to be through banks with the deepest experience.

But there are other sectors like food and agriculture where the bank is also recognized as having deep sectoral expertise and now it goes right from the farm, we're one of the largest lenders in commercial banking in agriculture, in both Canada and in the Midwest of the United States, but all the way through the food production and distribution business. So, it's really the deep knowledge, the quality of our research, the quality of our bankers, understanding of the businesses that they cover and not straying into portions of the market that may be hot at a certain period in time, but then not.

We also benefit, I think, from tightening our belt in the leveraged finance area early, so in 2015, we saw a very significant reduction in activity at BMO and you've seen what's happened in the high-yield market at somewhat of a delay. So, I think the prospects for the Capital Markets business in 2016 and 2017 are again positive. We're not looking for super high rates of growth, it wouldn't be appropriate, but that business should grow faster than the economy and particularly in the mid-cap sector where we're focused, the advisory side and the fee wallet, I think we'll grow. We didn't really see the level of M&A activity in 2015 that I think we'll see in 2016 and 2017. So, I'm positive about the business. We have high-quality people, a great franchise, good research -- excellent research -- and a business model that makes a lot of sense.

Darko Mihelic - ***RBC Capital Markets - Analyst***

And so growth expectations even irrespective of PCL is going up or provisions for credit losses going up in the businesses is a key takeaway here for us and you would agree to that.

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

Yes.

Darko Mihelic - ***RBC Capital Markets - Analyst***

And maybe now shifting gears to the U.S. segment. Can you talk a little bit about your outlook for growth in the U.S., in terms of balance sheet and maybe you can talk both sides, so not just liability -- sorry, maybe I should rephrase that. If you could talk about commercial and retail growth for the U.S. business, because I think what sets you apart is your U.S. franchise so maybe for the audience, if you can talk about growth prospects and also earnings prospects for 2016, 2017 kind of thing?

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

I think this really is, for us, a bright spot in the total picture. If you look at the large commercial business in the United States, the mid-market business, it's performed exceptionally well the last five years and there we've had mid-to-high double-digit growth rates. There has been downward pressure on the market, because spreads were very wide in that sector, coming out of the Great Recession and that growth rate has moderated to the high single digits in 2015 and we think that's sustainable in 2016 and 2017 and that's a nice place to be. If you can get close to 10% growth rate in a significant chunk of your business and continue to generate high-quality originations and high-quality assets, that's very positive.

And then we have the added benefit of bringing the GE Transportation Finance business into the total picture. So, I think we're talking in aggregate, mid-to-high double-digit growth in commercial banking in the United States. And it phases in -- we have a partial quarter in the first quarter and then the second, third and fourth quarter.

And this is a business that aligns extremely well with some of the other capabilities that BMO has in the United States where we have equipment finance, asset-backed lending, transportation finance which had been long-term businesses of the Bank and the truck finance business fits in exceptionally well in that regard. There is a nice mix between original equipment financing, dealer financing, a small lease portfolio with 17% of it is leases and the loss experience in those businesses mirrors our own experience, so it's high quality and the spreads are good.

The average spread in the business is reflective of the best parts of our commercial banking business and so it changes the weighting in the United States and I think that's going to be flattering to the expense to revenue ratio and the return on equity. So, that's a big part of the business. As you know, our bank in the United States historically was a commercial bank and it's still a very important driver of the consolidated profitability.

The other two segments to me that are interesting is small business, where it's been difficult for larger banks to generate good sustainable earnings in small business, because it's so labour intensive. And that's where the digital economy and the digitization of information, I think, really starts to pay off because the models that we can use for credit scoring and the administration of accounts and the ability of the clients to do a great deal more on a self-serve basis using both mobile applications and just better desktop applications.

If you want an integration of the business management and the treasury of those small business clients with the Bank's capabilities, to me is a bright light. And so, I think a business that has contributed almost nothing to our picture in the United States has real promise. It's not going to be hundreds of millions of dollars, but it will be a significant contributor over the next three to five years and so that's a source of growth.

And then the consumer, the U.S. consumer to me is perhaps the most interesting, because they've continued to clean up their balance sheets, continued to pay down, we can see continued pay-downs on home equity and continued pay downs on mortgage-finance, but at some point new house construction is going to have to kick in, because you have a big body of millennials who've moved into the workforce, all of a sudden they are in the family formation phase of their life and we've really benefited I think from a little bit of a lull in new home construction and household formation, because we've been automating our mortgage systems, bringing them to the same standard they are in Canada, so if we do see a pickup in that market, our participation rate will be much higher than it has been historically.

I think I've told you that we have -- if you just take the Chicago market, which is a very large MSA, we have about 12% -- 11% to 12% deposit share. We have something like a 2% or 2.5% share of mortgages and we would expect that when we start to see an expansion in housing that our participation rates will be much closer to both our footprint and our deposit share. So, I think we have a relatively new leader in retail banking, Alex Dousmanis-Curtis, who was here in Canada, ran the GTA and also ran the Private Bank in Canada, is really experienced and her pipelines are showing a lot of life, and the pay-down of residual books that were in the impaired category or the near impaired category is essentially done.

So I think, across the board, stronger commercial banking growth in 2016 and 2017, because of the addition of GE Finance, the emergence of small business and a revival of the retail sector or the consumer sector, which really for the first time the Bank has a real significant opportunity and because of the size of branch footprint, which pre-2006 was somewhere under 200 branches and now we're north of 600.

Darko Mihelic - ***RBC Capital Markets - Analyst***

Thank you for that. I think we've got a question from the audience, so I think I'll just read it as it is. Do your oil price stress tests assume any decline in Toronto real estate/housing prices or are these two separate markets?

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

Well, they don't explicitly assume. I think the dynamics of the Toronto housing market are related to employment growth in the GTA, and employment growth in the GTA is really driven more by services than it is by manufacturing, this isn't a concentration in the GTA. And whether it's universities, hospitals, banks, insurance companies, the demand for young people coming into the workforce still is at a pretty strong level, people with more skills. And it's really creating -- it's still maintaining tension in most affordable categories of housing in the GTA, and as long as the supply lags the demand for accommodation, there will be upward pressure on housing.

I think, to me, it's a bit more problematic when you look at average house prices in specific neighborhoods in Toronto, because Toronto is a little unusual. The parallel experience we have, Chicago is another big MSA where the residential communities are 8 to 12 miles away from downtown, most people coming in from as far as 18 miles, and there is a spoke system of rail and freeways. Here the house prices that we are most sensitive to are within 3 to 5 miles of downtown and of course there's going to be a scarcity of supply there. But taking a more realistic view to the real estate supply beyond the 5 mile ring and go out to the 20 miles or 25 miles, there isn't, I don't think, long term a shortage of real estate.

One of the big drivers of growth I believe in Canada--in the central part of Canada -- will be the expansion of the so-called Toronto-Waterloo corridor where at one time it was heavily – the 401 was heavily focused on manufacturing. But now there is a big uptick in technology and whether it's the Center for Quantum Mathematics at the University of Waterloo or the Center for Computer Science at the University of Toronto, you can see there's a lot of discussion around this as an engine of economic growth and participation in the digital economy. So I think, the dynamic of the Toronto market is always a puzzle, but you have to come back to supply and demand and as long as people are looking for housing and the supply isn't there, there will be the pressure to build more.

Darko Mihelic - ***RBC Capital Markets - Analyst***

Okay, so with that, we've had a pretty gloomy outlook, but it sounds like you're not considering --

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

I don't think it's been that -- it's been modestly gloomy.

Darko Mihelic - ***RBC Capital Markets - Analyst***

Yes, fair. And maybe just to finish it off, I'll always give the CEO the last word. So maybe if you could just wrap up for us what shareholders should -- what is the key message that you'd like shareholders to walk away with today?

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

Well, I think our state of mind is conditioned by 2015, when the Bank generated $4.7 billion of after-tax net income and 6% earnings per share growth. The first half of the year reflected, I think, some repositioning that we were doing, the businesses weren't as strong in the first half of the year, they were stronger in the second half of the year and I think the second half of the year to me is more reflective of my expectations for 2016 and 2017.

Our total three-year shareholder return was 13.5% and we saw the headwinds in energy in the year, we saw the differential growth rate between Canada and the United States in the year. We saw the backdrop of global uncertainty and there is a lot of global uncertainty. We have a business in China that serves North American customers and we do serve clients in China who are interested in expanding beyond their own borders. And that business continues to just move ahead. I was recently in Beijing and Shanghai, met with a number of our clients in that market and notwithstanding the fact that the renminbi is under pressure and notwithstanding the fact that there's apprehension about valuations in the Shanghai Exchange, every day, people are investing in infrastructure and building and growing and changing their economy. China is doing what the world said China needed to do, they're shifting to a consumption economy, less of an export economy and there are some growing pains associated with that. But it's still going to be a contributor to global growth and global growth is still going to be above trend for some considerable time because of both China and India continuing to modernize their economy.

So, I have a positive view around the backdrop,barring some catastrophic incident, which you can never rule out. And then I think we have an advantaged mix. I think the exposure of the Bank to commercial banking, the opportunity for expansion in retail in the United States. I think if you look at our Wealth business, a decade ago

Wealth was a very small part of the Bank and this year, Wealth contributed almost $1 billion of income. Wealth has been growing about twice as fast as the rest of the Bank for a decade. I think it will continue to do that. There is a shift in the makeup of the revenue in Wealth.

A decade or a decade and a half ago, it was much more dependent on commission and volume, today it's much more dependent on fee and levels. So, if you get a contraction in the markets of 5%, you have 5% downward pressure on your revenue, but you don't have the kinds of big moves in commission revenue that you historically had. And we broadened out our wealth business to include asset management in a much larger way, a top 50 global firm, and this is going to continue to grow faster than the rest of the Bank. Our ETF business in Canada has just been outstanding, and the launch of our ETF products in both Hong Kong and in London, for Europe, has also been really off to an excellent start. So I think Wealth is going to continue to grow.

I said five years ago that Wealth and Personal and Commercial in United States would deliver $1 billion of net income--there were lot of skeptics--we achieved that in 2015. So, when I look at the plan that the Bank really started to lay out 15 years ago and we've consistently talked about here's what we're going to do, here's how we expect it to unfold, it hasn't been a straight line, but it's been pretty much tracking the trajectory of what we thought and I think that carries us into 2016 and 2017.

And then the last thing is, with respect to the digital economy and the apprehension that in some way the business models of banking as we know it are going to be disrupted, my view is the disruption will only be positive. That we've been thinking about architecture, our underlying systems architecture if you have the time to just pick up this year's annual report of the Bank, in the front of the MD&A, we've put in a little bit of a profile of how we think about the digital economy and what the opportunities and really changes in business model are likely to be, it's not an arms race, it's not the next bright shiny object, but there are real, valuable opportunities to improve customer experience and earn good margins, and better margins for the Bank.

So, we don't have a blind eye to the commodity price structure globally, it's a big important part of the business we do, but I think we understand at a very granular level what the impact on our business will be and on our individual customers will be and we are managing that exceptionally well. We are in the right places and I think we are thinking in the right way about the future. So, if 2015 was a challenging year and 2016 and 2017 are challenging years, I think the Bank will do well notwithstanding.

Darko Mihelic - ***RBC Capital Markets - Analyst***

Okay, great, thank you very much.

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

Thanks for the chance to talk.