

# Enterprise-Wide Strategy

## Vision

To be the top-performing Canada-U.S. financial services company.

## Enterprise Strategy

- We will increase profits in our broad-based Canadian franchise and improve and selectively expand our U.S. franchise. In all of our businesses, we will build deep, lasting relationships with our clients by delivering exceptional service. We will consistently improve our productivity, as we provide superior value by focusing on what matters to the customer, by streamlining our processes and eliminating bureaucracy.
- We will aggressively pursue growth opportunities where we already enjoy competitive advantages and/or the market is rapidly expanding or transforming.
- In Canada, this means improving our position in the commercial market, gaining market share in the rapidly growing high net worth market and increasing our share of our clients' investment banking business by delivering our full offering to our clients.
- In the United States, this means growing organically and through acquisitions to be a leading player in the personal and commercial markets in which we compete and in the corporate mid-market and wealth management sectors in the Midwest. We will also capitalize on the fragmentation and growth of the wealth management market by expanding in selected areas across the country.



**Rose M. Patten**

Senior Executive Vice-President, Human Resources and Head, Office of Strategic Management

### We will leverage our foundational strengths in executing our strategy:

- Building a high-performance organization by effectively developing our people and their capabilities;
- Developing, implementing and maintaining high-quality, low-cost business systems;
- Applying our credit management expertise to find creative solutions for clients while maintaining our sound risk profile; and
- Maintaining excellence in governance.

## Progress in Relation to our 2004 Strategic Priorities

### Cash productivity improved:

- Our cash productivity ratio improved by 155 bps in 2004, driven by revenue growth and effective cost management.

### Overall customer loyalty scores improved:

- Personal customer loyalty scores improved, while commercial loyalty scores were stable. We will continue to implement significant initiatives to improve our sales and service capabilities, driving further improvements and narrowing the gaps relative to the market leaders.

### We improved our U.S. operations:

- U.S. segment net income improved US\$67 million.
- Chicagoland Banking opened nine new branches and continued to aggressively manage its cost structure.
- Wealth management leveraged the unique services of Sullivan, Bruyette, Speros & Blayney and myCFO to expand the range of offerings to clients.
- We achieved synergies by completing the integration of Gerard Klauer Mattison into the Investment Banking Group and the integration of Harris Nesbitt as a unified U.S. Investment and Corporate Banking operation.

### We increased sales and our share of customer spending:

- Revenue growth was 3.7%, third highest of Canada's major banks.
- In our U.S. operations – our critical growth engine – net income grew 26% in U.S. dollars.
- We coordinated cross-group efforts to drive additional cross-selling between U.S. businesses by partnering sales forces, establishing referral targets and improving processes.

### We selectively pursued further U.S. acquisitions:

- We acquired New Lenox State Bank and Lakeland Community Bank, adding 10 branches.
- We agreed to acquire Mercantile Bancorp, Inc. – adding 19 branches in a deal scheduled to close in early 2005.

### We maintained our status as an employer of choice and progressed in creating a sustainable high-performance culture:

- For the third year in a row, BMO was the only bank named a "Top 100 Employer" and the top-ranked Canadian firm in the "Training Top 100."

## What's Next? Priorities for 2005

- Achieve financial targets, with a particular focus on productivity.
- Drive revenue growth by providing a superior client experience, earning a larger share of customers' business.
- Continue to improve U.S. performance.
- Accelerate growth in the United States both organically and through acquisitions.
- Grow net income in Canada through operational efficiency and improved market share, accelerating our growth in commercial banking and wealth management.
- Build a high-performance organization by developing our people, living our values and being an employer of choice.
- Maintain our world-class foundation of leading governance, sound risk management, productive systems and excellent after-sales service.