

Enterprise-Wide Strategy



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Vision

To be the top-performing financial services company in North America.

Enterprise Strategy

- Strengthen our broad-based Canadian franchise, pursuing profitable growth in high-potential markets; accelerate our U.S. expansion through disciplined organic growth and acquisitions; deliver an exceptional customer experience for

our clients in all our businesses; and consistently improve our productivity by streamlining processes and focusing on timely and efficient execution.

- In Canada, improve service to our personal banking customers and strengthen our commercial banking business to attain a market leadership position; grow our franchise in the expanding high net worth market; and increase our share of our clients' investment banking business.
- In the United States, become the leading personal and commercial bank in the Midwest; accelerate personal banking growth, leverage the strengths of our commercial banking franchise and capture wealth management opportunities within the Chicago market; and continue to grow and improve performance in our investment banking business.
- Support our employees in reaching their full potential by aligning individual focus and performance with enterprise strategic goals and by maintaining a world-class foundation of productive technologies, efficient processes and sound risk management.

Progress in Relation to our 2006 Strategic Priorities

Achieve financial targets:

- Annual financial targets for ROE, EPS growth, credit losses and Tier 1 capital were achieved. The cash productivity ratio improved by 25 basis points, but was below our target because of continued investment in our retail businesses and a change in our business mix.

Drive revenue growth:

- Achieved revenue growth of 1.5%. Excluding the effects of the weaker U.S. dollar and the sale of *Harrisdirect* late in 2005, revenue grew 5.9%.
- Acquired *bcpsbank* Canada in December 2006.

Continue to improve U.S. performance:

- U.S. revenues decreased US\$60 million and net income improved by US\$2 million. Excluding *Harrisdirect*'s operations and the gain on its sale as well as variable interest entity (VIE) revenues in 2005, revenues increased US\$173 million and net income improved by US\$22 million, as both loan growth and improved deposit spreads contributed to performance.

Accelerate growth in the United States:

- Opened our 200th branch in the Chicago and Northwest Indiana market.
- Acquired businesses contributed US\$17 million to revenue growth. Excluding the operating revenue and sale of *Harrisdirect* and VIE revenues in the prior year, organic growth contributed US\$156 million.

- Completed the purchase of Villa Park Trust and Savings Bank and entered into an agreement to acquire First National Bank & Trust, furthering our expansion into the Indiana market.

Grow net income in Canada:

- Net income in Canada increased \$345 million, driven by growth in each operating group.

Build a high-performance organization:

- For the fifth consecutive year, BMO was the only major Canadian bank to be included in the prestigious *Maclean's* list of Canada's "Top 100 Employers." BMO was also the top-ranked Canadian firm in *Training* magazine's "Training Top 100."

Maintain our world-class foundation:

- Implemented end-to-end reviews of key enterprise processes and explored opportunities to leverage risk management expertise.
- Continued to implement enterprise-wide service quality initiatives that will contribute significantly to superior customer experiences and after-sales service.
- Redesigned our talent management and personal performance processes to provide greater clarity, transparency and accountability.

2007 Strategic Priorities

- Build a superior Canadian personal banking business to ensure that we meet all of our customers' financial needs.
- Further strengthen our commercial banking businesses to become a leading player everywhere we compete.
- Grow our wealth management businesses, capturing an increasing share of this high-growth market.
- Drive strong returns and disciplined growth in our North American investment banking business.
- Improve our U.S. performance and expand our network to become the leading personal and commercial bank in the U.S. Midwest.
- Build a high-performing, customer-focused organization supported by a world-class foundation of productive technologies, efficient processes, disciplined performance management, sound risk management and governance.