



**David A. Galloway**  
Chairman

## Change, Challenge and Great Promise

It has been a year of change, challenge and great promise at BMO.

### A Time of Transition

This has been a year of transition, as Bill Downe assumed the role of President and CEO in March. Since then, he has brought his own hands-on style and unrelenting focus on improving BMO's performance. His formidable experience and knowledge of all of our businesses, combined with his desire to move forward at an accelerated pace, have instilled our entire enterprise with a renewed sense of momentum and, indeed, excitement. It is a good time to be part of BMO.

### A Time of Challenge

We have also witnessed Bill's coolness under pressure as he successfully faced significant challenges during his inaugural year. BMO's management team dealt openly and extensively with the commodities losses, initiating internal and external reviews to understand the factors that contributed to the losses. Your Board has been similarly active on this matter. We held a number of special meetings to review the situation and are overseeing a complete review of risk management systems and procedures, as well as attitudes to risk, across the enterprise. I am confident that we are doing all in our power to prevent such losses from happening again.

Economic trials also coloured 2007. In the United States, concern over the subprime mortgage market dampened demand for home financing and resulted in tighter lending practices and increased volatility in credit markets around the world. The full implications of the current economic conditions remain an unfolding tale. The fact that our leaders are managing well during this delicate time provides us with the confidence that BMO is well-positioned to weather ongoing squalls.

### A Time of Promise

While it is important to be frank about challenges, we must take time to celebrate progress. There was much of that in 2007. Thanks to a number of initiatives, including the renewal of senior management, launch of new products and a more concerted focus on customer service, our Personal and Commercial Banking in Canada business increased significantly. Our Private Client Group also experienced solid gains. And excluding our commodities losses, and the fourth quarter capital markets environment charges, BMO Capital Markets performed well.

We have more to do; particularly, in our Personal and Commercial Banking business in the United States.

I know that inspiring our employees to grow all of our businesses profitably in an ethical and sustainable manner is at the top of Bill's priorities. Based on his performance to date, I speak on behalf of the Board when I say that we have every confidence that BMO's new leader and his team will continue to overcome challenges, meet our strategic priorities and build shareholder value by achieving the great promise that is BMO.

A handwritten signature in blue ink, appearing to read 'David A. Galloway'.

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Chairman