

# Enterprise-Wide Strategy

## Vision

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

## Our Enterprise-Wide Strategy in Context

We operate in a dynamic environment, where we must be able to respond quickly to our customers and to changes in local, national and global markets. Our customers are the anchor for our strategic plans to grow profitably and achieve our vision. Specific priorities for *our growth*, *our customers* and *increasing our pace* are outlined below:

Our Perspective	Our Strategic Priorities and Progress in 2007
<p>The Canadian personal banking market is becoming increasingly competitive as bank competitors continue to increase their investments in distribution and non-bank competitors continue to focus on niche products and segments. Customers want a bank that is easier to deal with and helps make their finances less complex. We believe we can win in this market by differentiating ourselves with a strong customer experience and a focused and productive sales and distribution network.</p>	<p><b>Build a superior Canadian personal banking business to ensure that we meet all our customers' financial needs:</b></p> <ul style="list-style-type: none"> <li>• P&amp;C Canada earned record net income of \$1,250 million, up 9.4%, due to our branch-driven sales strategy, systems and process improvements and high-impact product offers.</li> <li>• In P&amp;C Canada, we introduced redesigned integrated branch and individual scorecards with a focus on the Net Promoter Score customer loyalty measure. We also reallocated resources to customer-facing positions.</li> </ul>
<p>More of our commercial customers in Canada and the United States are working in home offices and small, independent businesses. Getting it right with these customers will help us capture a disproportionately large share of the growth in this segment of the commercial market. We have an opportunity to take a leadership position in growing commercial markets everywhere we compete by leveraging our commercial sales force and our strong credit and risk management capabilities to deepen our relationships with our customers.</p>	<p><b>Further strengthen our commercial banking businesses to become a leading player everywhere we compete:</b></p> <ul style="list-style-type: none"> <li>• In Canada, our customer-focused operating model led to commercial revenue growth of 6.1% and a 63 basis point increase in our market share of business loans of \$5 million and below, which increased to 19.2%.</li> <li>• In the United States, we opened loan production offices in four new markets, enhanced by our Indiana and pending Wisconsin acquisitions.</li> </ul>
<p>There are significant growth opportunities across the spectrum of wealth management businesses in Canada and the United States as demand increases for advisory services. One of these opportunities is presented by the retirement of baby boomers who are seeking a personally meaningful retirement experience and want advice and clarity about their options from a trusted advisor.</p>	<p><b>Grow our wealth management businesses, capturing an increasing share of this high-growth market:</b></p> <ul style="list-style-type: none"> <li>• Private Client Group reported record net income of \$408 million, up 15%.</li> <li>• Continued investments in our sales forces and businesses, including our recent agreement, which is subject to regulatory approval, to purchase Pyrford International plc, are positioning us for future growth.</li> </ul>
<p>Success in BMO Capital Markets requires a focus on the segments of our North American investment banking and trading products businesses that present the greatest opportunities for disciplined growth, appropriately managed risk and strong returns.</p>	<p><b>Drive strong returns and disciplined growth in our North American investment banking business:</b></p> <ul style="list-style-type: none"> <li>• Excluding the \$651 million after-tax impact of commodities losses and charges related to deterioration in capital markets, BMO Capital Markets earnings grew by 25% or \$216 million, driven by growth in trading revenues, merger and acquisition fees, equity underwriting and corporate loans.</li> <li>• Increased sector focus and key hires in the U.S. market helped deepen our client relationships, increasing revenue per sector coverage officer by more than 18%.</li> </ul>
<p>We have a strong franchise in the U.S. Midwest with a well respected brand, excellent customer loyalty and a differentiated community-based business model that provides a strong foundation upon which to carry out our growth plan. The structure of the U.S. financial services industry creates opportunities to consolidate and to achieve revenue and earnings growth as we expand.</p>	<p><b>Improve our U.S. performance and expand our network to become the leading personal and commercial bank in the U.S. Midwest:</b></p> <ul style="list-style-type: none"> <li>• P&amp;C U.S. net income increased 3% to US\$105 million. Excluding acquisition integration expenses, P&amp;C U.S. earnings increased in each quarter of 2007 relative to the preceding quarter.</li> <li>• Completed the purchase and integration of First National Bank &amp; Trust and entered into agreements to purchase Ozaukee Bank and Merchants and Manufacturers Bancorporation, Inc., increasing our presence in the Indiana market and expanding into Wisconsin.</li> </ul>
<p>BMO's ability to outperform will ultimately be driven by our culture and work philosophy. We are creating a customer-centric organization differentiated on the basis of a superior customer experience, built on a deep understanding of our customers and their needs. We will ensure our customers clearly understand the options that are most relevant to them and receive the guidance they need to make the right financial decisions. Our differentiated customer experience will be supported by effective processes, highly-trained and responsive team members and efficient technologies.</p>	<p><b>Build a high-performing, customer-focused organization supported by a world-class foundation of productive technologies, efficient processes, disciplined performance management, and sound risk management and governance:</b></p> <ul style="list-style-type: none"> <li>• Across the enterprise, we initiated efforts to improve productivity and shift resources to the front line; captured approximately \$140 million in run rate cost reductions; and improved our cash productivity ratio, excluding significant items, by 150 basis points.</li> <li>• Increased our focus on improving our customer experience across the enterprise, increasing front-line capacity and accessibility and improving response times in our retail businesses, shifting to more planning-focused conversations in PCG and creating integrated solutions for our capital market clients.</li> </ul>