

Who We Are

Established in 1817 as Bank of Montreal, BMO Financial Group is a highly diversified North American financial services provider. With total assets of \$416 billion and more than 37,000 employees, BMO provides a broad range of retail banking, wealth management and investment banking products and solutions. We serve clients across Canada through our Canadian retail arm, BMO Bank of Montreal, and through our wealth management businesses, BMO Nesbitt Burns, BMO InvestorLine and BMO Harris Private Banking. BMO Capital Markets, our North American investment and corporate banking division, provides a full suite of financial products and services to our North American and international clients. In the United States, BMO serves clients through Chicago-based Harris, an integrated financial services organization that provides banking and investment services. BMO Financial Group comprises three operating groups: Personal and Commercial Banking, Private Client Group and BMO Capital Markets.

Our Financial Objectives

BMO's overall governing objective and medium-term financial objectives for selected important performance measures are set out in the adjacent chart. Although our success in achieving our governing objective of delivering top-quartile total shareholder return is dependent on the relative performance of our peer groups, we believe that we will deliver top-quartile total shareholder return by meeting our medium-term financial objectives of increasing earnings per share (EPS) by an average of 10% per year over time, by earning an average annual return on equity (ROE) of 17% to 20% over time, and by maintaining strong regulatory capital ratios. Our operating philosophy is to increase revenues at rates higher than general economic growth rates, while limiting expense growth to achieve average annual cash operating leverage (defined as the difference between the revenue and cash-based expense growth rates) of at least two percentage points over time. In light of our outlook for economic and market conditions, we have adjusted our medium-term targets as they relate to ROE. In managing our operations, we balance current profitability with the need to invest for future growth.

In 2008, we achieved one of our five annual financial targets, as our Tier 1 Capital Ratio was higher than 8%. We did not achieve our other financial targets (growing EPS by 10% to 15% from a base of \$5.24; achieving ROE of 18% to 20%; a specific provision for credit losses of \$475 million or less; and cash operating leverage of at least two percentage points) as conditions in credit markets and capital markets were more difficult than we anticipated when the targets were established.

BMO has a rigorous business planning process that considers many potential economic scenarios. There is clear and direct accountability for performance against internal benchmarks and progress against strategic priorities which is aligned with our medium-term objectives. However, the weak economic environment, as well as difficult credit and capital market conditions, create added uncertainty in the estimation of future financial performance. Therefore, we are not disclosing annual financial targets for 2009.

Our Vision

To be the bank that defines great customer experience.

Our Governing Objective

To maximize the total return to BMO shareholders and generate, over time, top-quartile total shareholder return relative to our Canadian and North American peer groups.

Our Medium-Term Financial Objectives

Over time, increase EPS by an average of 10% per year, earn average annual ROE of between 17% and 20%, achieve average annual cash operating leverage of at least two percentage points, and maintain a strong regulatory capital position.

Why Invest in BMO?

BMO represents an attractive investment opportunity.

- Consistent and focused North American growth strategy with a strong Canadian retail platform and an established franchise in the U.S. Midwest
- Balanced and prudent approach to capital management
- Strong senior debt ratings
- Industry-leading targeted dividend payout ratio
- Strong and disciplined credit risk management capabilities and processes

As at or for the periods ended October 31, 2008 (%)	1-year	5-year	10-year
Compound annual total shareholder return	(27.9)	0.9	6.7
Compound growth in annual EPS	(8.5)	1.8	5.1
Average annual ROE	13.0	17.0	16.1
Compound growth in annual dividends declared per share	3.3	15.9	13.3
Dividend yield at October 31, 2008	6.5	na	na
Price-to-earnings multiple	11.4	na	na
Market value/book value (per share)	1.34	na	na
Dividend payout ratio	74.0	49.9	45.2
Tier 1 Capital Ratio	9.77	na	na

na – not applicable

The section above, Our Financial Objectives, as well as Enterprise-Wide Strategy and Economic Developments, two sections that follow, contain certain forward-looking statements. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Please refer to the Caution Regarding Forward-Looking Statements on page 30 of this Annual Report for a discussion of such risks and uncertainties and the material factors and assumptions related to the statements set forth in such sections.