

Momentum across the enterprise

We continue to invest strategically for growth. Across our lines of business, we're seizing opportunities that enhance our competitive position. And we're aligning strategies at the enterprise level to gain efficiencies that ensure every dollar counts.



To maintain our focus on improving BMO's core business performance, we're investing strategically in people, processes, distribution channels and product offerings. These are the drivers of growth, particularly in our retail, commercial and wealth management businesses. To enable us to fast-track investments according to their potential value for shareholders and customers, we're assessing initiatives at the enterprise level using a single set of measures. And we're continuing to enhance service by identifying and removing costly and unnecessary steps.

Momentum in 2008

We are focused on building momentum in our core businesses in all of our operating groups.

In P&C Canada, for example, results indicate that our customer and growth strategies are working. By improving our service standards and introducing performance scorecards at the individual employee level, we've strengthened customer relationships – a trend clearly indicated by our growing customer base and rising customer loyalty scores. BMO's retail and commercial bankers and wealth professionals are bringing a team approach to our customers, delivering integrated strategies that apply the full range of our expertise to their financial opportunities. Customers are experiencing higher service standards – consistently – at all points of contact. And for key decisions in their financial lives – a first account, mortgage or financial plan – we've raised our game, delivering expertise and advice that have set a new benchmark in our company. These developments are reflected in our financial results. Revenue grew in each of our Personal, Commercial and Cards businesses.

We are building momentum in our commercial business, where BMO ranks second in business banking lending market share. Two years ago, we created three commercial banking districts in Toronto, Montreal and Vancouver, and appointed some of our most experienced leaders to run them. In the past year, we launched a performance management program that tracks portfolio growth, customer retention, revenue and profitability. This helps us recognize our best employees and provides all employees with informed feedback on opportunities for improvement. We also enhanced our market offerings and we are taking a more comprehensive approach to our commercial customers' needs. As a result of these and other initiatives, loans were up by 9.5% in 2008, and market share improved by 67 basis points. Customer loyalty scores for our commercial business were also up in 2008. [P 46](#)

Momentum is also building in P&C U.S., where our customer focus, performance-driven culture and the ongoing expansion of Chicago's "home town" bank are combining to provide opportunities today and

for the future. Supported by a branch network now 44% larger than it was in 2005, the Harris brand has increased visibility in markets across three Midwestern states. At the same time, Harris' multi-year transformation program is enhancing customers' experience and improving front-line and operating efficiency. Harris' reputation as a pillar of the Midwest financial community was important to its success in capturing market share, as customers refinancing their mortgages in this year's challenging environment moved their business to the trusted Harris brand. Our U.S. commercial banking business also benefited from Harris' solid reputation. We expanded our sales force, hiring a number of the region's most experienced and highly regarded commercial bankers, increasing Harris' competitive presence as well as future growth potential. [i P 49](#)

Despite challenging conditions this year, our wealth management businesses showed we're not standing still. Private Client Group stayed focused on its established targets and delivered strong results. In 2008, to reach more clients and improve service, we expanded our customer service and sales forces at BMO Nesbitt Burns^{®*}, BMO Harris Private Banking and BMO InvestorLine. We invested in technology, for example, enhancing our financial planning capabilities with the goal of providing clients with clear, meaningful and personal financial plans. Additionally, we continued to expand our asset management capabilities, completing

the acquisition of U.K.-based Pyrford International plc, extending the reach of PCG's institutional asset management beyond North America, and announcing an agreement to make a strategic investment in Virtus Investment Partners, Inc. [i P 52](#)

BMO Capital Markets' leadership team undertook a comprehensive review that focused on optimizing performance through capital allocation and achieving a better balance of risk and return. The plan is built on strengthening our stable, profitable base and identifying attractive growth opportunities for our core clients.

In 2008, we more than doubled the size of our municipal bond business in the United States by acquiring Griffin, Kubik, Stephens & Thompson, Inc., a Chicago-based municipal bond dealer. With our national presence in municipal banking and a solid and well-diversified investor base, this now gives a competitive advantage as more U.S. municipalities seek to finance their infrastructure needs.

We are also expanding our international footprint, opening an office in Mumbai¹, India, that will help our clients access international markets. BMO Capital Markets now operates in 12 locations across Europe, Asia, Australia and South America, in addition to 14 offices in North America. BMO Capital Markets was also named Best Investment Bank in Canada in 2008 by *Global Finance* magazine. [i P 55](#)



How we're differentiating BMO to drive performance and growth

- **Our customer culture:** We are streamlining our processes to ensure we deliver extraordinary value to our customers – and take away complexity. Our brand is compelling because it promises a differentiated experience.
- **Excellence in performance:** We're managing our people, processes and assets across the enterprise for productivity. Our culture emphasizes results, customer focus, accountability and leadership development.
- **Building leadership in risk management:** We're making investments in our risk management capabilities, assessing performance based on risk-adjusted returns to ensure that the risks we assume are being appropriately rewarded and are generating shareholder returns.

¹ Office in Mumbai opened in November 2008.