



# From plan to performance – transforming BMO

**William A. Downe**  
President and Chief Executive Officer

## Strong financial position

By any measure the fiscal year just ended was extraordinary in its challenges, but more notably, in the progress we made in advancing the strategy of the bank. The pages of this report are a clear statement of the way we have chosen to compete in each of our businesses and reflect the confidence we have going into the new financial year.

In his message to shareholders, the Chairman writes of turning the corner after what has been a period of economic uncertainty. I would like to build on these words with my own reflection on the financial strength of BMO Financial Group and the opportunities we see for growth in our business.

Stability cautiously returned to financial markets this past year – and we began to see emerging confidence on the part of consumers. We took advantage of the improved market environment to reduce the level of risk in key areas, while generating \$1.8 billion in net income. The way in which we manage risk and the global reputation of our regulatory system has placed us among the world's most highly respected financial institutions.

## Strong business performance

Our performance grew steadily stronger through 2009. We delivered sustainable improvements in both revenue growth and expense discipline – and were pleased with the sequential progression of quarterly earnings.

Personal and commercial banking in Canada set the pace for the rest of BMO with a strong improvement in customer loyalty and growth in revenue and net income. This was the consequence of deliberate actions taken over many quarters – following through on what we said we would do.

In 2009, 91% of employees responded with high agreement to the statement, "In my work group we are doing everything we can to contribute to a great customer experience." 94% highly agreed that "I actively look for new ways to enhance the customer experience."



"The pace has really picked up. It's energizing."

**Derek Tsang**  
Financial Services Manager,  
Personal Banking Canada, Montreal

Our Private Client Group delivered good revenue growth in the second half of the year driven by better equity markets and a growing client base. We also benefited from momentum in our expanded life insurance business – early results confirm our enthusiasm for our strengthened competitive position. BMO Capital Markets had a record year. This business is well diversified, and we are optimizing its balance sheet to achieve the right scale and an appropriate risk-return profile. Our U.S. personal and commercial business continued to leverage its strong market presence and visibility. Deposits increased by 10 per cent from a growing customer base.

These have been challenging times for many of our customers and the uncertainty of how the recovery would unfold has affected everyone. We have an unwavering commitment to stand by our customers and to listen, understand and be there to guide them. This is the promise behind making money make sense.

### The year ahead

Going into 2010 we have strong capital and liquidity: our Tier 1 Capital Ratio was 12.24 per cent at year-end. We're well positioned to deploy capital for growth initiatives and to take advantage of opportunities that arise. We did so in January 2009 by making a significant addition – BMO Life Assurance, and in November with the announcements of the acquisitions of the equity lending business of Paloma Securities and the Diners Club North American franchise. This franchise will double the size of our corporate cards business. We anticipate more opportunities will emerge.

Clearly in 2010 loan losses will remain an area of attention, particularly in the United States. I continue to believe credit risk management is a core strength of BMO and that this will be confirmed as the recovery unfolds. As we enter the second half of 2010 and into 2011, we would hope to see credit conditions improve.

Most compelling is our unanimous belief in the customer strategy of the bank – and our intent to continue building upon it. We have unfinished business for 2010 and 2011.

In 2007, I reported that our relationship with customers would be our focus and the most important element in our pursuit of growth. We've made great strides, still our vision and our customers are pushing us to go further – and we will. Through commitment and exceptional effort, our employees have changed the customer experience. Their clear determination to master the fundamentals of service stood out. To realize the next level of gains, we are rebuilding our operational foundation through process simplification – to create faster, more satisfying experiences at BMO.



**“Our reputation as a strong bank that stands by our customers has only grown.”**

**Michael R. Calingo**  
Lead Sales Analyst,  
Commercial Banking Canada, Vancouver

This year, 94% of employees highly agreed with the statement, “I believe my customers appreciate my efforts on their behalf.”

We know customers' needs, expectations and universe of choice will grow and evolve. Our strategy anticipates this. The investments we've made in our brand create competitive advantage – and have matured into great opportunity.

### Acknowledging your support

While our stock price rose 25 per cent, during the year our shareholders faced uncertainty as equity values reflected the adjustment taking place in global markets. Our decision to issue new equity last December contributed a precautionary layer of capital that protected the bank in the period of greatest turmoil. I would like to acknowledge both individual and institutional shareholders for their support of the consistent and measured approach we took to capital management. How success is rewarded in financial services has also been in the news and during the year, we made changes to recognize the recommendations of the Financial Stability Board. At BMO, our approach has always been clear: individual and team compensation is aligned to the creation of lasting value for our shareholders.

As well, I would like to acknowledge the customers of the bank who faced unprecedented challenges as they managed their personal finances or their businesses. This was a time when the value in our approach to banking was confirmed. The banking system acts as a shock absorber in periods of economic turmoil and our focus on customer loyalty proved critical to the enhanced reputation of BMO.

Finally, I would like to express appreciation to the 36,000 employees who delivered on our promise with confidence and professionalism. Whether working on the front line with clients or in the necessary operations and functional groups, your commitment to a consistently great customer experience made all the difference.

To all of our stakeholders thank you for your support and confidence. We look forward with enthusiasm to working with you in the coming year.

**William A. Downe**  
President and Chief Executive Officer

This year, 90% of employees responded with high agreement to the statement, "I am proud of the way BMO Financial Group helps customers understand and choose the financial products and services that are right for them."

**"Clarity. Consistency. Confidence.  
That's what we offer our  
customers every day."**

**Debbie Rechter**  
Managing Director,  
BMO Capital Markets, Chicago