

WHAT WE OWE



Table of Contents

| | |
|---|-----|
| President and Chief Executive Officer's Message | 12 |
| Inspiring Potential | 14 |
| Advancing Innovation | 26 |
| Sustaining Growth | 36 |
| Our Foundation | 48 |
| Highlights | IBC |

Who We Are

Established in 1817, BMO Financial Group serves more than 12 million personal, commercial, corporate and institutional customers in North America and internationally. We provide a broad range of retail banking, wealth management and investment banking products through our operating groups: Personal and Commercial Banking; Private Client Group; and BMO Capital Markets.



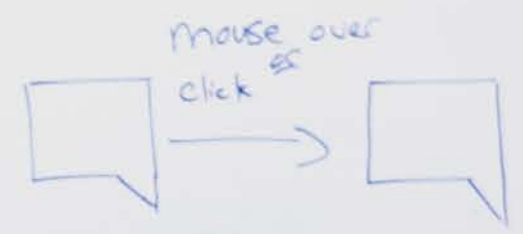
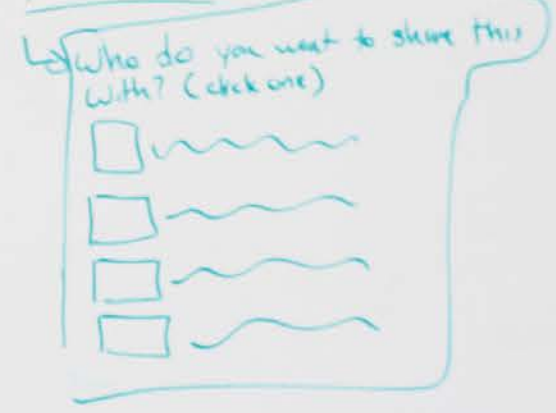
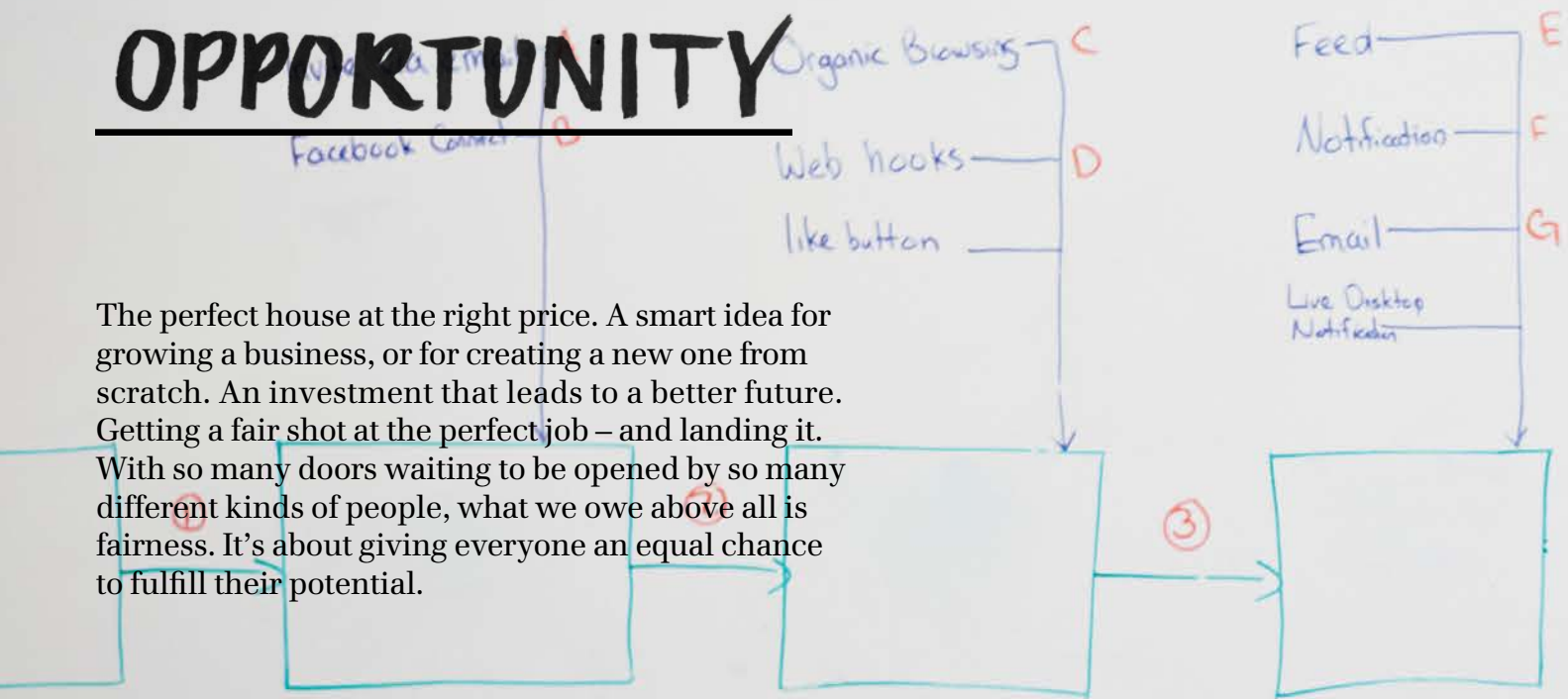
Equal opportunities. Simple explanations.
Balanced decisions. Transparent
communications. And confidence
built on trust.

This is what we owe.
And it's personal.

Cover: Commercial account manager Jennifer Enright advising Bryan Lahartinger, a member of the Communitex community, in Waterloo, Ontario.
Opposite Page: BMO Harris Bank branch, Chicago, Illinois.

OPPORTUNITY

The perfect house at the right price. A smart idea for growing a business, or for creating a new one from scratch. An investment that leads to a better future. Getting a fair shot at the perfect job – and landing it. With so many doors waiting to be opened by so many different kinds of people, what we owe above all is fairness. It's about giving everyone an equal chance to fulfill their potential.



- High Level Cases to Support
- ① Quick Stick
 - ↳ People in active group
 - ↳ People in other groups
 - ② Normal Note functionality (ie just text)
 - ③ Quick Stick to tag + add draft up text

→ Coming into a conversation late
 → No low commitment action to say you got the message

How HARD CAN IT BE?!



SIMPLICITY

Translating complex problems into simple solutions. Explaining clearly why one step follows from another. Reducing the number of layers between a reasonable question and a helpful answer. It isn't hard to keep things simple. You just need to empower people to focus on what really matters. What remains when you take away all the clutter. What truly adds value.

Charles and Dawn Price with their son Daniel at their new home in Oshkosh, Wisconsin.



BALANCE

Important challenges are sometimes complicated. How do we balance growing the economy with protecting the environment when both sides make valid points? How much risk is appropriate, and is everyone using the same yardstick? What counts more, good jobs today or solid prospects for the future? It takes time to understand all the dimensions and make a decision that does justice to the bigger picture.

An aerial image of Gatineau, Quebec, taken by Aéro-Photo.
Photo credit: Aéro-photo (1961) Inc.



TRANSPARENCY

There's one sure way to guarantee that everyone understands what you're trying to do, and why: tell the truth. Not selectively. Not hidden in the fine print or behind clever spin. People know when a message is clear and forthright, and when someone stands behind it. And while they may not always agree with what you say, they'll respect the honesty. Because it shows respect for *them*.

Michael Heath, personal banker and
Curtis Bradley, retail bank manager at
our branch in Schaumburg, Illinois.



BMO
noun:
everyt
see sig

CONFIDENCE

Iain Klugman, president and CEO of
Communtech, Waterloo, Ontario.

To feel truly confident takes more than a positive outlook. It's a conviction grounded in trust. The people we guide and encourage know that we keep our promises, are accountable for what we do and have their best interests at heart. When our customers, employees and other stakeholders have confidence in us, they feel empowered to make the right choices – and that gets all of us closer to our goals.



President and Chief Executive Officer's Message

BMO's understanding of corporate responsibility is grounded in the day-to-day realities of banking. Of course we constantly re-evaluate the impact our actions have on our stakeholders. But our perspective is ultimately shaped by the individual stories of customers who count on us for guidance and support.

RECENTLY, A MORTGAGE SPECIALIST at one of our branches in North Milwaukee shared this story: She'd worked with a young couple to arrange the financing for their first home. It was a modest house, priced lower than many middle-class families might pay for their cars. But for these young people it represented a move to a nicer neighbourhood and a big step along the path to building a better future.

On the day the deal was set to close, though, a problem came up. As a condition of sale, the owner had agreed to put down new carpet in the home's single bedroom. But when the young couple made their final inspection, they found the bedroom floor was still bare – which put the entire deal in jeopardy. Desperate, they called the mortgage specialist for help. She immediately jumped in her car and drove to the house. Taking a photo of the bedroom with her mobile phone, she sent it to the seller along with a message explaining that he had exactly one hour to get the bedroom carpeted or the sale would not go through.

Forty-five minutes later, she was waiting at the branch with the anxious buyers when a photo arrived by email showing the new carpet in place. There were hugs and high fives all around as the young woman explained through tears how she never imagined that she'd one day be able to afford her own home.

This is just one of countless stories that are unfolding every day across BMO's North American network and in our offices around the globe. But it sums up neatly what corporate responsibility means to the bank's 46,000 employees.

Adding Up What We Owe

Like all large businesses, banks have a responsibility that extends far beyond the world of profit and loss. Operating according to the letter of the law, or in narrowly defined compliance with regulations, simply isn't enough. We have to make a positive difference in the lives of our customers, our employees and the communities we serve. And we have to lead by example, providing a model and setting a standard for others to follow.

For our bank, business performance is judged in relation to a set of basic principles that have guided us for nearly 200 years. We constantly stop to ask ourselves fundamental questions: Is this fair? Is it the right choice? Most importantly – and looking far past the minimum requirements – is it the best we can do?

Investing in the disciplines necessary to deliver against expectations – both societal and regulatory – is a source of long-term strength. And we reinforce that strength by having considerations of corporate responsibility and good citizenship permeate every



Bill Downe at the official opening of The United Way Community Hub – AccessPoint in Toronto's Danforth neighbourhood.

conversation – not only within the organization, but as we contribute to the larger public conversation. It's part of our responsibility as a bank to have a point of view, and to take on tough questions – about employment, the economy, the environment – that don't resolve themselves into easy distinctions between right and wrong.

This is the context in which we produce BMO's annual Corporate Responsibility Report. It's our opportunity to explore the dimensions of responsibility as we see them, sharing our experiences and observations with everyone who has an interest in where we stand and how

we back up our convictions. Our actions are what matter most. And when we talk to people about BMO – current and prospective customers, employees, investors and other partners – we find that they return to this document frequently to remind themselves of what we stand for and the commitments we've made.

In the following pages you'll find stories drawn from BMO's diverse customer base and highlighting various aspects of our business. The unifying theme is our belief that responsibility begins and ends with an obligation to do our job, and do it well. We owe it to the customers and communities who

support us – and we owe it to ourselves – to foster the many individual successes that ultimately add up to economic prosperity, sustainable growth and a better quality of life for everyone.

Responsibility isn't just something we reflect on once a year in a report. It's something we live every day. And it's personal.

Bill Downe
President and Chief Executive Officer



INSPIRING POTENTIAL

It could be a start-up just launching or an established business reinventing itself. A conscientious saver on the way to becoming a homeowner or investor. An investment in an after-school program or a scholarship to help even the odds. A financial literacy workshop that empowers people to plan their future with confidence. And, of course, our own efforts to develop the potential of BMO's talented employees – so they can do the same for our customers and communities.

Pia Schmidt-Hansen and
Fun Man Lee, members of the BMO
Pride affinity group, at First Canadian
Place, Toronto, Ontario.



Su Casa

A fixture of community life in the heart of Chicago, Casa Central provides opportunity, encouragement and hope to people trying to realize their full potential.



TEN YEARS AGO A HOMELESS single mother walked into Casa Central, a social service agency primarily serving Chicago's Hispanic community, looking for help. She needed a job to support her three children but lacked marketable skills. The staff enrolled her in a course on computer basics – beginning with how to find the 'on' switch. And when an entry-level position opened up in the mailroom of a city newspaper, the team urged their nervous student to apply. Today she manages the department.

This is the kind of success story that has made Casa Central a vital part of life in urban Chicago. Founded by a group of churches in 1954, the charity started out with a staff of three; today it's the largest

Hispanic social service agency in the U.S. Midwest, with more than 550 employees and an annual budget of \$17 million.

The agency's goals are summed up in its mission: "Casa Central transforms lives and strengthens communities with a special focus on Hispanics. Our network of services propels a diverse population of all ages toward self-sufficiency and a higher quality of life." Those services range from childhood and adult education to seniors' programs, from housing and support for homeless families to domestic violence counseling.

"You really have to be passionate about the mission," says CEO Ann Alvarez, a social worker who started out in Chicago's schools and has led Casa

Central since 1989. "There are a lot of obstacles in the non-profit world. You need to persevere and keep yourself open to learning."

Measuring Success

BMO Harris Bank's long relationship with Casa Central covers the spectrum from banking services to employee volunteering to corporate giving. Access to unrestricted dollars – funds not tied to specific programming – enables the agency to quickly address changing priorities. "We have strong backing from the bank," Ann says, "and we know they're there if we get into a tight spot."

What fuels Casa Central's success is a commitment to operating like a

business, with clear objectives, detailed work plans and quantifiable outcomes. Programs must maintain an 85% success rate – whether measured by people gaining employment, children advancing in school or other yardsticks of progress – reinforcing the belief that each step forward for an individual or family contributes to overall economic growth and prosperity.

"Once you learn how to quantify what you do," Ann says, "and you keep everyone focused on accomplishing those goals, you can demonstrate quality and success." 📌

Programming at Casa Central is focused on families, and helping every family member reach their highest potential, says CEO Ann Alvarez.

Smart Investment

For more than a decade, BMO Harris Bank has been a partner in Money Smart Week®, joining hundreds of organizations in promoting financial education across the communities we serve. Spearheaded by the Federal Reserve Bank of Chicago, this national initiative presents a wide range of free events targeting specific audiences. This year we participated in 70 events, including:

Advice for Newlyweds

"Worrying about your finances as a single person is hard enough," says Dean Urbanski, Vice President, National Sales Manager, with BMO Harris Bank. "Adding in another person's aspirations can make it that much more complicated." BMO's presentation offered simple advice on combining assets, creating a budget, setting goals, saving for a home, avoiding debt and planning for retirement.

First-time Homebuyers

BMO experts offered advice on finding an ideal home while balancing financial priorities, with tips on determining a budget, saving for a down payment and choosing the right mortgage. "The first step is to do an honest assessment of the household balance sheet," explains Kevin Christopher, Head of Mortgage Sales. "Then you can make a responsible calculation of what you can afford."

Essay Contest

The Money Smart Kid Essay Contest, coordinated by the Federal Reserve Bank of Chicago and co-sponsored by BMO, helps young people develop and share their financial knowledge. This year's winner was fifth-grader Dayton Melaniphy of Naperville, Illinois, who was awarded a \$5,000 scholarship from BMO for his essay on investments he would make in his community.

Milwaukee Money Conference

This year BMO once again sponsored the Milwaukee Money Conference, presented by Asset Builders of America, and a bank team made a presentation on "The ABCs of Homeownership." Aimed at youth and families with low to moderate incomes, the conference has helped more than 10,000 people develop budgeting, savings and investment plans to improve their credit standing, buy homes and launch business ventures.



Keeping the Meter Running

In the vital Great Lakes economy, a key source of new opportunity is the world's largest concentration of water technology companies – including industry leader Badger Meter.

“PEOPLE WHO WORK IN COMPUTERS go to Silicon Valley,” says Rich Meeusen. “My dream is that if young people want to go into the water technology business, they’ll have to come to Milwaukee.”

Rich is helping make that dream a reality as co-chair of The Water Council, the organization he co-founded in 2007 with the goal of making his native city a global hub for freshwater-related research, education and development. The surrounding region boasts at least 150 water technology businesses, among them the company Rich has led as CEO for the past 11 years: Badger Meter.

One of only a half-dozen water meter manufacturers in North America,

Badger is a market leader known for its technologically advanced devices that measure and control the flow of water and other fluids. Founded in 1905, the publicly traded company has seen strong growth in recent years as more and more U.S. communities move from flat-rate water fees to a pay-for-use model. In Chicago, for instance, about a third of homes now have meters installed – and most were made by Badger.

The Flow of Opportunity

With its long history of water-based industries such as brewing, Milwaukee – set on Lake Michigan at the confluence of three rivers – is a natural focal point

for the new boom in water technology businesses. Among Badger’s neighbours are many of the world’s leading manufacturers of faucets, sinks and bathroom fixtures, as well as valves, pumps, heaters and filtration systems.

As the company has invested in product development and diversified through acquisition, Rich has relied on the long-standing support of BMO Harris Bank: “When we have an opportunity, we sit down with our bankers and explain our strategy. They always ask good, probing questions, challenging us to make sure we’ve thought things through. And then we’re amazed at how quickly they come back with an answer.”

Through his work as CEO of Badger Meter and co-chair of The Water Council, Rich Meeusen actively supports water conservation in Milwaukee.

Badger’s growth reflects increasing public awareness of the need to conserve a scarce resource; when people’s water is metered in the United States, consumption typically goes down by about 25%. “The real story with our business,” Rich says, “is the greater good we serve.”

What’s more, that positive impact extends beyond conservation efforts to a general economic revival in a part of the country that has seen many of its original industries downsize or move away. “We can capitalize on our strength in water technology to strengthen the whole region,” Rich explains. “Given the challenges the world is facing, water technology is a growth industry. If we align our businesses with government and academia, we can grow something strong here in Milwaukee. I want to create economic opportunity for my children, my grandchildren – for everyone in this region.”



Take Me to Your Leaders

Our strength is driven by the talent of our employees and their commitment to delivering great customer experiences every day. We are constantly working to create a shared sense of purpose and develop future leaders who can keep pace with our customers’ changing needs.

In 2012, Bersin by Deloitte, a third-party talent research and consulting group, reviewed BMO’s talent and succession practices. They were assessed as exemplary and industry-leading, with well-formulated talent review processes, a high level of assessment and training for executive talent, and a strong commitment to leadership and engagement at all levels of the organization, right up to the CEO.

The review also noted our talent-focused culture, which is built around four key priorities. Here are some of the ways we put those priorities into action in 2012:

1. Building a talent mindset:

A network of dedicated talent advisors provide one-on-one coaching, 360° feedback sessions and career guidance to help managers and leaders identify and nurture emerging leaders.

2. Engaging our employees:

We want people to be passionate about working here. Employee engagement, customer loyalty and company profitability are strongly linked. In 2012, the Employee Engagement Index score in BMO’s annual employee survey was 75%*, significantly higher than the industry norm of 67%.

3. Providing opportunities to grow and develop:

We encourage secondments, switching between line and staff positions, and continuing education programming such as our Executive MBA and leadership development programs, which we provide through our Institute for Learning.

4. Creating a diverse and inclusive work environment:

For more than two decades, BMO has been a leader in promoting diversity in the workplace. In 2012, we renewed our diversity strategy and challenged ourselves to do even better. Our renewal strategy focuses on integrating leading diversity practices into the bank’s talent management practices, and action plans to build cultural competency and accountability. These practices have resulted in, among other things, significant increases in the hiring of Aboriginal people and people with disabilities.



*Data from 2012 Environmental, Social and Governance Report and Public Accountability Statement.



A Home for a Good Price

A young Wisconsin couple knew that the VA Loan program for military veterans would give them the opportunity to buy their first home – but it took a BMO Harris banker to get them the rest of the way there.



“CHARLES AND I WANTED THIS for so long,” Dawn Price says, looking around the house in Oshkosh, Wisconsin that she and her husband recently moved into with their one-year-old son. “When we met, we weren’t sure where we were going to be in five years. Today we have a home, and we’re settled. My

son never had a yard before; now he and the dog sit at the door asking to go outside together.”

What made the Prices’ dream possible was a Veteran Affairs (VA) Loan provided by BMO Harris Bank and guaranteed by the U.S. Department of Veterans Affairs. Available to veterans,

reservists and National Guard members and eligible surviving spouses as part of the GI Bill, VA Loans make it possible to buy a home with no down payment or monthly private mortgage insurance, and are subject to more lenient underwriting guidelines than mortgages usually require.

For the Prices, the opportunity to move ahead on their home ownership goals was a welcome acknowledgement of Charles’s service to his country. A combat engineer, he served five years in Germany, including tours in Kosovo and Iraq, followed by three years in the Wisconsin Army National Guard. Now he has a job with Oshkosh Corporation, a major manufacturer of military trucks.

When their son was born, his crib took up much of the living room in the Prices’ tiny apartment. They began making more concrete plans to buy a house, knowing that VA Loan guarantee financing could make it happen that much sooner. But when they went looking for a bank that was certified to support the program, they couldn’t find one. “It was disheartening,” Dawn says, “to see how few people wanted to work with the government to do these loans.” After requesting a list of local bankers who handled VA lending, they found there were only two names on it – both at BMO Harris Bank.

Charles and Dawn Price got more than a new house with their VA Loan. “We’re part of a great neighbourhood now,” says Dawn.

Room for Confidence

The Prices contacted Todd Bestor, a former Marshall & Ilsley banker who was pleased to be once again offering VA Loans since assuming his new role at BMO. “Working with Todd was like working with a friend,” Dawn says. “People told us that getting a mortgage was going to be a nightmare, but he made it easy. He explained everything to us and laid all the cards on the table – and then made sure the deal happened. There were no bumps in the road at all. It was awesome!”

For Dawn, the successful outcome was about more than the excitement of owning a home: “It’s easy to forget what our veterans have done, and what they’ve lost. Coming back from war, you have a lot on your shoulders. But with BMO on our side and Todd willing to help us out so much – it was a nice reminder that people do remember and care about you and your service.”

As the Prices enjoy life in their new community, they also have a strong sense of future promise. “The confidence that comes with being able to buy your own home means so much,” Dawn says. “There are so many opportunities that we have now. We can spend more time together as a family. And we can think about baby number two, because we have some extra bedrooms to fill!” ☺

Healthy Returns



Across Wisconsin, Ghidorzi Companies takes on highly complex development projects with one clear goal: to improve the economic, environmental and human health of communities.

When the public and private sectors come together to build a new healthcare facility, the design and construction challenges can seem less daunting than the financial complexities involved. A case in point is the new 1102 S. Park facility, part of the healthcare network operated by the University of Wisconsin – Madison and one of the latest community-focused projects spearheaded by Ghidorzi Companies.

“It’s a clinic in a neighbourhood aspiring to revitalization,” explains Chuck Ghidorzi, co-founder (with his wife Mary Ann) of the Wausau-based development firm. “The nature of the project – along with its location, demographic impact and potential job creation – qualified it for multiple sources of government funding that were required to make the plan financially feasible.”

To the uninitiated, the array of financing options can be overwhelming: New Markets Tax Credits, BREWD grants, BEBR grants, TIF, Midwestern Disaster Area Bonds...and the list goes on. “BMO Harris Bank understood the complex structure needed to make this project happen,” Chuck says. “They stepped forward with a team of experts who brought exponential knowledge, value and speed to help navigate the process.”

Set to open its doors in 2013, the new clinic expands access to primary and specialty healthcare for the Madison community, including people facing financial, cultural and language barriers. Built to LEED certification standards for sustainability, the facility enlarges the patient base of an older clinic nearby from 20,000 to 30,000 and will create 18 new jobs and add six residency positions.

Committed to Communities

“One of the most motivating aspects of our business,” Chuck says, “is seeing the powerful impact that a single building has on a community’s landscape.” In this case, a former industrial site has been transformed into a vibrant area that is a catalyst for future development. “The clinic is a game-changer for south Madison – and BMO was instrumental in expediting the approval process and keeping the project moving. The bank offers the best of both worlds in terms of having a vast national network while knowing the local Madison market inside and out. This was public-private sector collaboration at its finest.”



Participants in BMO Volunteer Day package up school supplies for children in Montreal.



How Can We Help?

Having a positive impact on our communities is one of BMO's core values. It says something fundamental about who we are and what matters to us, individually and collectively.

BMO Volunteer Day

Thousands of our employees across North America lend a hand at local charitable agencies on BMO Volunteer Day. Every year our employees are invited to "skip work, do good" and take time away from the office – during business hours – to participate in one of 6,000 volunteer activities arranged by the bank. The event unites our organization around a special goal: working together to help even the odds and improve the lives of people in the communities where we work and live.

Employee Giving Campaign

BMO's community focus is also reflected in our Annual Employee Giving Campaign, which allows employees to financially support organizations they care about – in particular the United

Way – through payroll deductions. Ours is one of the largest employee giving programs in North America.

Corporate Community Initiatives
Community initiatives that we helped fund in 2012 include:

- **United Way of Metropolitan Chicago:** This citywide charity provides job placements, middle school tutoring, primary care and crisis support for 1 million people.
- **Danforth Community Hub:** This gathering place in east Toronto, supported by a \$1 million donation from BMO, helps more than 13,000 people every year through a range of programs, from settlement support to supplementary healthcare to early childhood education. 📖

A Giving Culture

BMO Volunteer Day
June 7, 2012

6,490

volunteer opportunities filled

400

projects across North America

16,600+

hours of generous support

Employee Giving Campaign

\$21.2 million

raised by BMO and its employees for local United Ways and other charities across North America

35,500

employees contributed to the cause

76%

participation rate – an all-time high



Opening the Books

In addition to promoting financial literacy, BMO also supports various childhood literacy programs, helping children gain the foundation they need to understand the world and share their points of view.



First Book

EVERYONE UNDERSTANDS that early exposure to books expands children's minds and sparks their imaginations. But childhood literacy also has a material impact. Research shows that when lower-income families participate in programs to encourage reading, their full dependence on public assistance drops from 67% to 11%.

For all of these reasons, BMO is a dedicated supporter of childhood literacy initiatives in the communities we serve. One of the most recent was the March 2013 "Week of Books" campaign in support of First Book Canada, which partners with publishers to provide

schoolchildren, mainly from immigrant families, with access to reading opportunities. BMO employee volunteers helped distribute more than 60,000 new books to over 20,000 children and young people in communities across the country. Each young person received three age-appropriate selections to begin building a personal library.

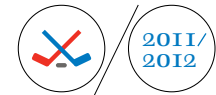
The initiative was an unqualified success. When children receive these books, 99% of participating schools and community-based agencies report that the donated books enable them to strengthen their literacy efforts.

"BMO has helped us in a significant way to reach many new groups," says Tom Best, Executive Director, First Book Canada. "We're also indebted to our publishing partners, and we're overwhelmed by the dedication and enthusiasm of the schoolteachers, librarians and principals, along with community leaders, who are taking time to ensure their children get access to these wonderful books." 📖



Admirable WITS

BMO Harris Bank is a long-time supporter of Working in the Schools (WITS), a Chicago initiative that promotes literacy and the love of reading among young people. In the past year, we donated \$50,000 to the program, and 60 employee volunteers spent more than 500 hours mentoring students to help expand their learning horizons. At the annual WITS Back to School Luncheon in October 2012, the BMO team was honoured to receive the annual Wheels on the Bus Award recognizing institutions that encourage academic achievement and foster the spirit of volunteerism.



Academic Goals

BMO Harris Bank teamed up with the Rockford (Illinois) IceHogs of the American Hockey League to promote literacy in local schools through a reading mentorship program run by the United Way of Rock River Valley. In a campaign called Goals for Grades, we donated \$20 for every goal scored during the 2011/2012 regular season at the BMO Harris Bank Center in Rockford. The total reached \$4,140, which BMO then increased to \$6,000.

Diverse Strategies

We're more focused than ever on the hiring, development and advancement of diverse talent. Our newly established, executive-led Diversity Renewal Council is guiding the direction of that work, strengthening our leadership and putting strategies into action. And we're seeing results already. Here are just three examples from the year in diversity:

- Our new "Count me in!" initiative raises employee awareness of people with disabilities and shifts the way we think, manage teams and view talent to be an organization that embraces diversity and drives better performance.
- In the final quarter of 2012, the representation of persons with disabilities among our employees increased to 2.5%* from

2.3% in the previous quarter, moving us closer to our 2015 goal of 3.8%.

- In Canada, Aboriginal hiring activity increased 20% to 76 hires in 2012.

Strength in Numbers

We're especially proud of the advances we've made in female representation across BMO in the past year:

- Four women were added to the executive Management Committee, increasing female representation to 25%.
- We regained our leadership position among Canadian financial institutions in the representation of female executives – up from #2 last year.
- Encouraging potential was a focus in our 2012 talent round tables and appointments,

and we identified more women in our pool of emerging leaders: 38%, up from 34%.

- The bank's board published its diversity policy for the first time this year. It states that women shall represent no less than one third of BMO's independent board of directors.
- We set a clear goal to have women represent 40% of senior leaders by 2016.

All of these efforts helped BMO earn the 2013 Social Responsibility Award at the Canadian General Counsel Awards.

*Data from 2012 Environmental, Social and Governance Report and Public Accountability Statement.



New School of Thought

On the campus of Aurora University in Illinois, today's students and tomorrow's teachers share a unique school environment where they can learn together.



"WE'RE ALL STUDENTS," says Dr. Rebecca Sherrick. "It doesn't matter how old we are – we're all learners. For a university, it's about throwing open the front doors and inviting everyone to come in." This is a philosophy Rebecca puts into practice every day as president of Aurora University (AU), a private co-ed institution in the city of Aurora, Illinois, about 64 km west of Chicago.

With just over 4,400 students, AU has deep connections in the community dating back to its founding in 1893. When Rebecca became president in 2000, she saw an opportunity to make those connections even stronger by bringing together students and faculty with local residents, not-for-profits and corporate partners to work on social and economic challenges.

One area in which AU could immediately add value was public education. Partnering with school and community leaders, in 2004 the university opened the Institute for Collaboration, where student teachers in AU's education program would be able to teach classes of elementary students right on campus. It's a program that benefits everyone. Students enjoy a unique learning environment reflecting the latest approaches. They also get a taste of the college experience and see the value of lifelong learning. And student teachers, for their part, get essential first-hand experience in the classroom.

Once the necessary partnerships were in place, the last piece of the puzzle was financing. It came in the form of a successful bond issue arranged by

BMO Harris Bank, which now handles all of AU's commercial banking. Today the Institute's eight classrooms accommodate more than 200 elementary students from the Aurora public system. And a 500-seat auditorium also promotes arts and culture on campus and in the community.

The next challenge AU has taken on is the well-documented U.S. deficit in science, technology, engineering and mathematics (STEM) education. Backed by research stressing the importance of teacher preparation, the Institute is creating a STEM partnership school for third- through eighth-grade students. Instructors will be teachers from area school districts who are simultaneously pursuing advanced degrees in STEM education. The first

of its kind in the United States, the program is envisioned as a model for other schools across the country.

"This is about bettering our community and bettering our nation," Rebecca says of the ambitious initiative. "A hands-on education in math and science will arm our community's young citizens with the tools they need to grow, achieve and succeed in life. The key to solving many of our society's complicated social and economic issues is unlocking this vital resource." ☺

Rebecca believes strongly in nurturing motivation: "Imagine an American workforce where each person is committed to doing a better job on Wednesday than he or she did on Tuesday."

Developing Strength

For The Whitsett Group, the recession was both a testing ground and a source of opportunity as Indiana communities invested in affordable housing and seniors' developments.

"We have a log cabin on our property that we built years ago," says Joe Whitsett. "That's where we put our office when we launched this business in 2007. We had no overhead, no assistants, no salaries. It was just me and my son Tony, plus a copier and a printer. We stayed there for two years."

From those modest beginnings, The Whitsett Group has grown into a 50-person real estate development company that builds, owns and manages affordable housing and seniors' communities across Indiana. Based in Indianapolis, Joe and his team oversee every phase of the development process, from concept through leasing. They also provide specialized services such as green building design and historic rehabilitation aimed at drawing people back to downtown areas. "I'm a big believer in strengthening the urban core," Joe says. "It will always lead to a stronger city."

Starting a new business on the eve of the 2008 recession proved to be a challenge. As the full impact of the downturn hit the U.S. economy, commercial lending was severely curtailed. However, working in the fledgling company's favour were two key factors: a massive injection of stimulus

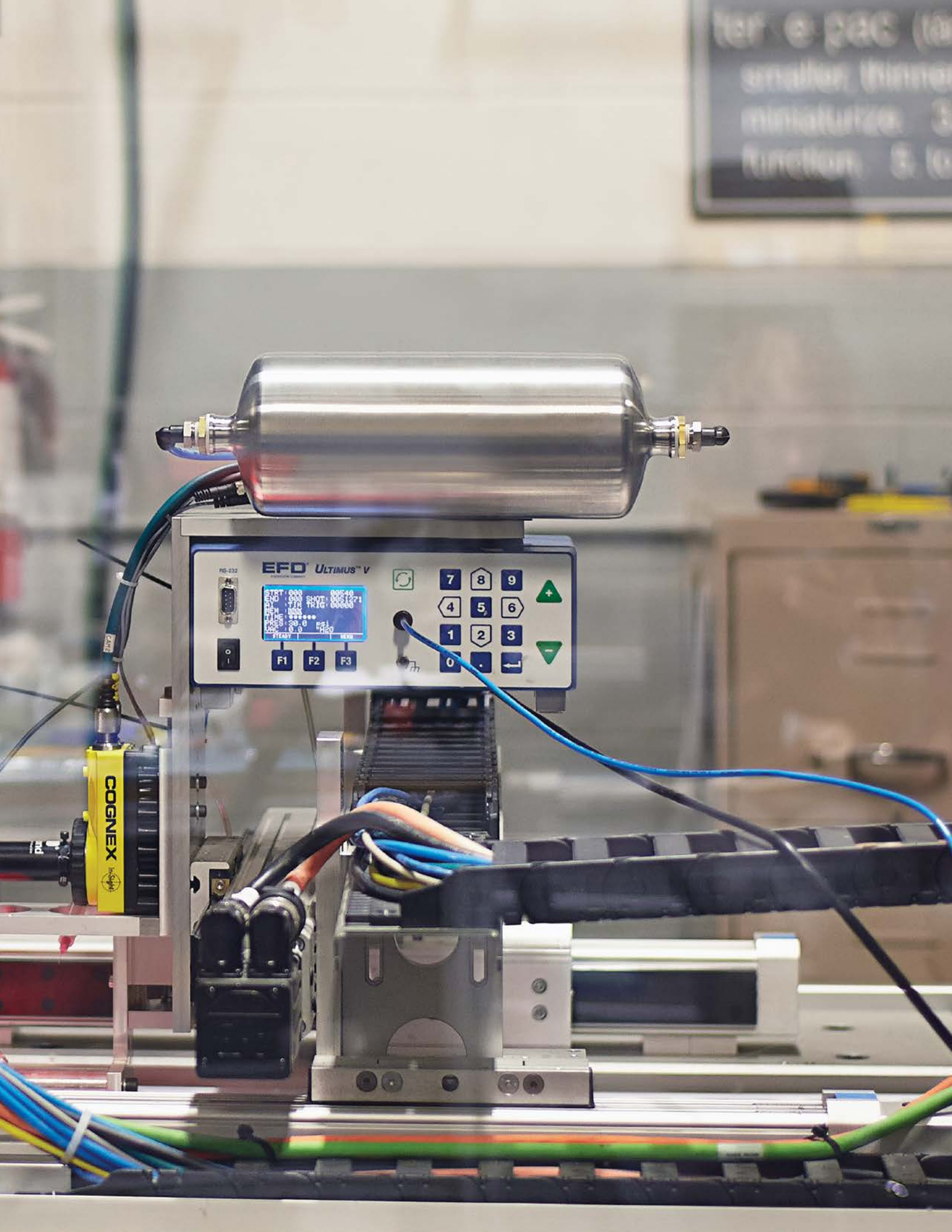
money from the federal government, much of it earmarked for affordable housing; and the backing of a financial institution that took the long view on real estate investments and had the resources to back it up – BMO Harris Bank.

Supported by commercial bankers with deep experience in blending public funding with private equity, The Whitsett Group completed its first two affordable housing projects and began pursuing additional opportunities. Public investment sparked its intended effect in the form of construction-related jobs. And across the state, the company helped communities gain new housing options for people who might not otherwise have been able to afford homes – while creating longer-term employment in areas such as building maintenance and cleaning services.

The Whitsett Group's partnership with BMO continues to deepen as the company looks to develop seniors' housing projects throughout the Midwest. "The bank has been instrumental in our growth," Joe says. "That relationship, along with our strong ties to equity investors, has allowed us to be successful in a difficult market."



YOUunity Village, Terre Haute, Indiana



ADVANCING INNOVATION

Innovation is the key to sustaining a healthy and productive economy. It's about creativity. New ways of thinking about competitiveness. Better approaches to emerging issues like online security and climate change. Fresh takes on economic renewal. The critical first step is recognizing the difference between a novel idea and one that has genuine value. Next we gauge the risks of investing beyond the tried and true. And then we get innovative ourselves, making the process easier for today's visionaries as they imagine where we'll be tomorrow.

Terepac's pilot line production machine, Waterloo, Ontario.



Everything Connects

Technology pioneer Terepac can produce devices with processors, memory and sensors that measure less than one millimetre square, are thinner than paper – and hold the key to creating the Internet of Things.



IMAGINE IF YOUR HOME could speak to you. The furnace could confirm that it was heating efficiently. The roof would alert you if it had a leak. The fridge might remind you to buy eggs. Even a milk carton could sound the alarm if its contents had gone sour.

What once was a sci-fi scenario is becoming a technological reality with the emergence of the Internet of Things – a network of objects, equipped with sensors and transmitters, that can react to their environments and communicate with us. A major challenge, though, is miniaturizing complex components so they can be integrated with everything from appliances to clothing to medical devices – and doing it economically enough for mass produc-

tion. One of the leaders in meeting that challenge is Terepac Corporation of Waterloo, Ontario.

With Terepac’s breakthrough technologies, chips that are an order of magnitude smaller than current microchips can be “printed” onto ultra-thin flexible substrates – at a fraction of the cost. Since its founding in 2004, the company has developed a process to enable increasingly larger amounts of computing power in tinier and tinier devices. The result will be a new world of transformative smart products, from sprinklers that optimize water use to hats that monitor a wearer’s state of health.

Linking these devices requires massive exchanges of data. Terepac is a leader here, too, developing networking

solutions that will make it easier for devices of every kind to talk to their users and to one another. In the words of the company’s tagline, Terepac is “giving voice to the world.”

The Power to Transform

“We’re an innovation engine,” says Ric Asselstine, Terepac’s CEO. With co-founder Jayna Sheats, a Stanford PhD who serves as chief technology officer, Ric has built the company by partnering with innovative thinkers across the industry – and by attracting bright minds to its offices in Waterloo, Palo Alto and Dresden, Germany. “We know we’re onto something, and as people find out about us, they want to work with us. We seem to be a little magnetic.”

Terepac’s rapid growth also requires a sound financial foundation. After another bank declined to renew its initial R&D support due to a policy change, BMO’s commercial banking team stepped in to help Terepac at the crucial stage where major customers were interested, but no deal had been signed. “We understand that innovation is replacing traditional generators of wealth in our economy,” says BMO’s Alex McIntosh, who works with businesses in the high-tech cluster around Waterloo. “The market sees that our bank is extremely supportive in this space, and that drives opportunities.”

Ric stresses the value of that support: “Alex took the time to get to know us, to drill into the technology and the

people, and he gets the vision. It’s like old-time banking – it’s personal.” And now, with major contracts signed and more in the works, the entrepreneur sees Terepac’s future unfolding within a larger success story: “The ripple effect of any transformational technology is stunning. We’re helping to transform job creation, cultural vibrancy, educational institutions and more. The prospects are very bright.” ☺

Terepac has the opportunity to transform how customers interact with the world around them. “The physical world can emote,” says CEO Ric Asselstine.

Recognizing Innovation



Last year BMO was the only Canadian bank to win a prestigious *WhatWorks* award for excellence in leadership development, in recognition of our innovative approach to learning and talent practices. More than 1,600 employees have participated in the bank’s leadership development program since 2008.

A 2012 Celent Model Bank Impact Award went to BMO Bank by Appointment, a new online tool that allows customers to schedule branch appointments online. In the first months after launching the tool was used to book more than 29,000 appointments.

BMO InvestorLine won the Best Use of Technology Award at the Morningstar Canadian Investment Awards. We were recognized for our online investing service, adviceDirect, which was judged easy-to-use, intuitive and efficient – enhancing the user experience and improving online investing generally.

In recognition of our efforts to reduce emissions, the Carbon Disclosure Project included BMO in the Global 500 Climate Performance Leadership Index for the third year in a row. We were the only Canadian-headquartered company named to the Index, and one of only 34 businesses worldwide.



A Novel Point of View

For Quebec-based aerial mapping company **Aéro-Photo**, building a successful business starts with having a unique vision of how customers want to see the world.

AERIAL PHOTOGRAPHY has been used in mapping and surveying since the earliest days of aviation. But with the advent of digital imaging technologies, along with sophisticated mapping software, it's now possible to create remarkably detailed and accurate views from above that are used in everything from construction and development to assessing mineral deposits to environmental remediation projects.

Canada has been a pioneer in the use of aerial imaging to chart and study the country's vast undeveloped expanses. And for the past four decades, one of the recognized Canadian leaders in this highly specialized industry has been Aéro-Photo.

Based in Quebec City, Aéro-Photo offers a wide array of services, from aerial imaging and laser-assisted remote sensing, to topographic and thematic mapping, to the integration of geographic data into sophisticated analytical applications. The company's long client list includes energy and resource giants, engineering and urban planning firms,

public and private sector developers, and organizations ranging from the Canadian International Development Agency (CIDA) to The World Bank. In diverse projects extending across several countries, the common thread is a demand for precise, accessible information in support of major development decisions and policymaking.

Banking on Innovation

Known for its innovative digital technologies and production facilities, Aéro-Photo has contributed to the development of imaging applications that deliver more detailed information more efficiently than ever. "Our operations can seem pretty complex to outsiders," says CEO Paul Grenier, a physicist and surveyor who bought the company from his father Wilfrid in 1974. "BMO has taken the time to understand our business processes, cycles, challenges and opportunities. The bank gives us great support, both in our operating credit facility and our long-term aircraft and equipment financing needs."



BMO also played a role in Aéro-Photo's latest business win: a major geographical survey in Colombia. "The bank really helped us in the proposal process," Paul says, "suggesting several options to support our rapid growth and assist with equipment investments." Buoyed

by this new project, the entrepreneur expects to see revenue grow by at least 30% in the coming year – and keep on growing. "With our skilled and experienced team, cutting-edge technology and innovative approach, I foresee a bright future." ☺

An Overview of Recent Aéro-Photo Projects

Costa Rica: Comprehensive aerial imaging for a remapping of the entire country.

Afghanistan: Acquiring vital data for road and bridge construction in heavily mined areas where ground surveys are too dangerous.

CIDA: Training local officials to use geospatial data for development planning in Côte d'Ivoire, Burkina Faso, Morocco, Senegal and Venezuela.

Western Canada: Helping to develop control strategies for the largest beetle infestation in recent North American history, covering 18.1 million hectares of forest in British Columbia alone.

Quebec: Measuring terrain elevation and the forest canopy to generate better tree inventories.

Going the Distance for Kids



A young woman gets her face painted at Walk So Kids Can Talk in Halifax, Nova Scotia.

\$600,000+

Walk So Kids Can Talk, a nationwide event presented by BMO, rallies thousands of young people, parents, educators, community members and corporate donors to support the 6.5 million children, teens and young adults across Canada who can benefit from the counseling and support services of Kids Help Phone.

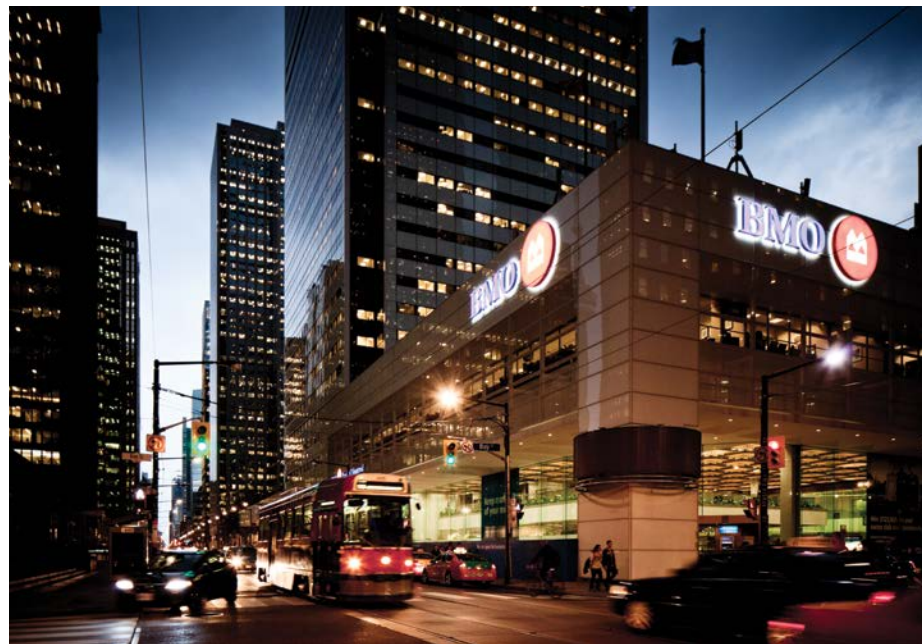
BMO was a founding partner of Kids Help Phone in 1989, and over the past 24 years our employees have raised millions of dollars in support of the mental and emotional well-being of children and youth. In 2013, more than 3,000 of our employees registered for the five kilometre charity walk in 30 locations, raising approximately \$600,000 so far. Final numbers will be available in July.

"Being there' is an extraordinary promise we make to the young people of every community in Canada," says Sharon Wood, the not-for-profit's president and CEO. "BMO has helped Kids Help Phone become the leading Canadian – and world-renowned – professional youth counseling service that it is today. By taking this leadership role with Canada's largest walk to support child and youth mental health, the bank is deepening its commitment to the well-being of every kid from every community, whether urban, rural or remote."



Saving Our Energy

Carbon-neutral since 2010, BMO has targeted another 10% reduction in emissions – against a 2011 baseline – across all areas of our business by the end of fiscal 2016.



TO ACHIEVE OUR AMBITIOUS new carbon emissions goal, we will continue a wide range of sustainability initiatives over the next few years, including buying carbon offsets, energy retrofits, office consolidation strategies and the replacement of older technologies with more efficient alternatives.

Focusing on Buildings

BMO is responsible for more than 20 million square feet of real estate, most of it spread out through cities and towns across North America. The geographic scale of our operations presents a significant challenge in implementing measures to cut emissions. Because the bank's retail branch network accounts for about half of our total carbon footprint, we focus much of our energy-saving effort in this area.

- In 2010 we commissioned energy audits for a significant proportion of our branches, assessing factors such as building envelope, heating, air conditioning, lighting, plumbing, control systems and signage. We have applied specific audit recommendations in renovating several branches.
- A pilot completed in 2011 at a dozen branches in Ontario tested a program that allows cooling, heating, lighting, signage and security systems to be remotely monitored and controlled from a central point. After one year, average electricity use was reduced by 20%. In 2012 we extended the program to 47 more branches across Canada.
- The bank's Corporate Real Estate group has adopted sustainable design and construction methods for all new buildings, as well as retrofit projects.

- For new and upgraded locations, we invest in energy-efficient heating and cooling systems and use remote monitoring and controls to ensure they operate efficiently.
- All major renovations to retail and office space include retrofits of lighting and mechanical equipment to improve energy efficiency.
- We continue to deploy automated systems in our branches that disable interior lighting after hours (with motion sensor overrides for safety and security) and ensure that exterior signage is only illuminated after dark.

Reducing Travel and Working Remotely

- We continue to replace the bank's gas-powered vehicles with hybrid models. At the end of fiscal 2012, hybrids comprised approximately 84% of our fleet.
- In 2009 we began developing our BMObility strategy to encourage and support employees working from remote locations. The benefits include: less time spent commuting, which reduces employees' carbon footprint and enables them to work more productively (and often interact more with customers); a reduction in real estate needs – approximately 40% in the program pilot – through the use of shared offices, collaborative spaces and various meeting and data handling technologies; and greater employee satisfaction as they find better work-life balance while having a positive environmental impact. ☺

BMO's corporate headquarters in Toronto, Ontario.

A Smaller Footprint

115,213*

MWh purchase of renewable energy

6,497

tonnes of office paper shredded/recycled

96

tonnes of waste diverted from landfill through our technology disposal program

84%

energy-efficient service fleet (hybrid vehicles)

25%

target for reduction of paper consumption (against a 2011 baseline) by end of fiscal 2016

*Data from 2012 Environmental, Social and Governance Report and Public Accountability Statement.



Driving Innovation

The U.S. automotive sector is reinventing itself through the efforts of companies like Illinois-based Arens, an innovative manufacturer of vehicle control and power management systems.



"WHEN I INTRODUCE FOLKS to this company," says Ken Kunin, CEO of Arens Controls, "I explain what would happen if I snapped my fingers and all the products we've developed over the last 10 years disappeared. Farm fields would not be plowed or harvested without our throttles and controls. Delivery trucks would stop without our electronic shifters. Mass transit in cities that use our hybrid systems would shut down. What we do affects all these industries. That's a big impact for a relatively small company from Arlington Heights, Illinois."

Arens was founded in 1939 by aviation pioneer Charles Arens, who wanted to make a better aircraft throttle. Today the privately held firm is a global leader in operator interface control systems and power management systems for commercial vehicles, supplying major manufacturers such as Volvo and Caterpillar.

Arens has built a reputation as an innovator. In the late 1990s, as automotive technology became more sophisticated and manufacturers introduced hybrid alternatives, the company began developing integrated controls and power management systems for the next generation of commercial vehicles.

Arens has several development programs underway for hybrid and electric vehicles that will provide new revenue streams and fuel growth and employment.

Among its innovations was the production of the first hybrid traction inverter for commercial vehicles. "Our hybrid technologies involve some of the most advanced electronics, software and mechanical engineering in vehicles today," says Ken, who has been CEO since 2002. "And that's not the only green contribution Arens makes. The transportation industry leads the manufacturing world in minimizing pollution and waste. Virtually every material used in manufacturing must conform to strict guidelines about its impact and recyclability. It's not just about being environmentally friendly – it's good business."

Meaningful Dialogue

The economic downturn of 2008 was especially challenging for the vehicle industry. Arens turned to its bankers for help. "BMO Harris was instrumental in our refinancing during a difficult time for banks to take risk," Ken says. "They saw that we were a solidly performing company, they understood management's capabilities and they supported us with the funding structure we required. They really came through when we needed them."

In addition to services such as treasury and foreign exchange, the bank supports Arens with capital financing for product development, as well as working capital to fund receivables and inventory. "The folks at BMO have put time into truly understanding our business, our customers and what we're trying to achieve," Ken says. "That translates into meaningful dialogue."

As Arens continues to grow its existing customer base while looking for acquisition opportunities, the focus remains on innovative leadership, particularly in the development of more advanced systems for hybrid and electric vehicles. "Success comes down to innovation and execution," Ken concludes. "It's about having the right combination of technology, outstanding people and the best business processes in place to deliver every single day." ☺



Right from the Start

At the heart of one of North America's most dynamic technology clusters, Communitech helps innovative businesses launch, grow and succeed.



Five Years at Communitech

1,070
start-ups

\$185 million
in revenue

\$350 million
in total investment

5,260
new jobs created

IN THE HIGH-TECH SECTOR, a typical start-up only has a 45% chance of still being in business five years later. But for a growing community of companies launched in Waterloo, Ontario, the average survival rate is 83%. What's made the difference? Much of the credit goes to a not-for-profit organization called Communitech, which supports the development and ongoing success of hundreds of entrepreneurial ventures in a region renowned for ground breaking innovation.

Founded in 1997 by a group of CEOs of local technology companies – including major players such

as OpenText and RIM (now BlackBerry) – Communitech helps sustain the region's technology leadership by connecting new businesses with the resources and relationships they need to turn promising ideas into profitable outcomes. Through mentorship and peer-to-peer advisory programs – as well as seminars, conferences and networking events – the organization serves as both an information hub and new business accelerator, assisting emerging companies with everything from talent recruitment to raising capital. And among the strategic partners who've been there from the beginning,

keeping the community active and relevant, is BMO.

A Community of Interests

Operating in the Communitech space alongside professional firms, universities, government agencies and other partners, BMO offers on-site financial advice to both start-ups and established companies. In addition to helping fuel growth in the technology sector and the overall economy, our bankers work directly with entrepreneurs as they determine their financial strategies and execute their business plans.

Inspired by this close working rela-

tionship, last year Communitech chose BMO to manage its banking needs. "The bank has been with us since the beginning," says Lois Norris, the organization's CFO. "I've dealt with the corporate team for years, and they provide unparalleled service. BMO has been a strategic partner in many key initiatives."

It's this spirit of partnership that ensures the lasting impact of Communitech on job creation and economic growth. "The bottom line," Lois sums up, "is that the network enables everyone to contribute and everyone to benefit." ☺

Through the Canadian Digital Media Network, Communitech is connected to 21 other technology clusters across the country.

An Innovative Thinker



Kevin Lynch, Vice-Chair, BMO Financial Group, has helped drive the global conversation on innovation and productivity through his writing, speaking engagements and consultations with business, political and academic leaders.

"Innovation is the ability to create new products or services, or to deliver existing products or services in new ways. Innovation is related to research, but they're not the same. Research is a process by which money is transformed into knowledge; innovation is the process that transforms knowledge into money.

Today, though, most innovation starts not in research labs but with insights from consumers and front-line employees. Transforming those insights into commercially viable goods or services requires corporate leadership. To succeed at innovation, we need to organize for it, invest in it, manage it and create incentives to sustain it.

Innovation is crucial to the economy because it drives productivity – and a more productive economy grows faster, adapts better and supports more jobs, as well as higher wages. So increasing productivity through innovation is as much a social imperative as an economic one: it raises society's living standards while making the economy more competitive."

SUSTAINING GROWTH

We cannot simply measure growth in terms of sales or market share. For a bank, there is virtue in strong financial performance. But our responsibility goes far beyond dollars and cents. When it comes to helping ideas grow and encouraging self-sufficiency, our leadership matters. We nurture growth in knowledge and skills, in innovation, in the well-being of vibrant, inclusive communities – and above all, in confidence, which we work every day to sustain.

A young girl counts her coins at our Queen and Hambly branch in Toronto, Ontario.



Grizzly Sighting

In the foothills of the Rockies, a visionary Alberta entrepreneur is turning tourists' heads and helping boost the local economy at The Grizzly Paw Brewing Company.



EACH YEAR 12 MILLION PEOPLE travel the Trans-Canada Highway between Calgary, Alberta, and the Rocky Mountains. Driving in the foothills at the edge of Banff National Park, you might spot elk, bighorn sheep and even the odd wolf or bear. Sighting a grizzly, though, is extremely unusual – unless you're passing through Canmore, where you can't miss the impressive post-and-beam structure that houses The Grizzly Paw Brewing Company.

A combination brewpub and microbrewery, Grizzly Paw is the brainchild of entrepreneur Niall Fraser. Inspired by a pioneering brewpub that he encountered

on a trip to Sydney, Australia in the early 1990s, Fraser returned to Canada determined to create something comparable back home. He chose Canmore for its spectacular setting beneath the snow-capped peaks and its growing profile as a tourist centre. And in 1996, he opened the Grizzly Paw pub.

The venue was an immediate hit, and sales rose steadily over the next several years. Then in 2004 Grizzly Paw expanded to include a microbrewery and a line of sodas. This popular addition soon presented a challenge, however, as the Canmore facility was too small to keep up with growing demand for its product.

The company faced a tough decision: either return to being a brewpub only or build a self-sufficient operation in Canmore. For Niall there was only one real choice – invest and grow.

Feeding the Bear

While the expansion plan took shape during an economic downturn that was especially hard on tourism, Niall was nevertheless confident of continued support from the bank that had believed in his vision from the beginning: BMO. His long-time business banker, Christie Saunders, extended the range of services for the two interrelated

Grizzly Paw companies to include construction and equipment loans, as well as operating lines of credit.

"My business is complicated," Niall says, "so it's helpful to deal with the same person over many years – especially someone who understands the peaks and valleys of a tourist town. Christie is very proactive. She looks at the big picture and shows us how to get there."

When Grizzly Paw's expanded facility opened in early 2013, Alberta was again attracting an influx of visitors and new residents, including many who welcome the microbrewery concept. Niall sees his business as both benefit-

ing from and helping to fuel renewed prosperity: "One of the hardest parts of operating a 'micro' anything in Canada is dealing with economies of scale. When it comes to buying equipment or ingredients, growth really helps. By increasing production, we're not only creating jobs and purchasing more Alberta-grown agricultural products, we're building an Alberta-grown small business." ☺

Grizzly Paw's new facility increases its brewing capacity by four times and will allow the company to further expand its product line.

¡Haz la conexión!

The annual Hispanic Business Expo keeps 45,000 Illinois businesses connected.

Every August, Chicago hosts Make the Connection! Hispanic Business Expo, presented by the Illinois Hispanic Chamber of Commerce (IHCC). BMO Harris Bank is a proud partner in the event, one of the largest in the United States aimed at Hispanic entrepreneurs and professionals, as well as employers focused on enhancing diversity.

Featuring high-profile guest speakers and a daylong program of business and career development workshops, the expo strengthens relationships between the state's more than 45,000 Hispanic-owned businesses and corporate and government organizations. It's the IHCC's flagship event. Over the past 20 years, the Chamber has helped increase revenue among its constituents by an estimated \$200 million.

"We're pleased with the ongoing support of BMO Harris Bank," says IHCC president Omar Duque, "and with its commitment to helping Hispanic-owned businesses access much-needed capital and support to help them grow and create jobs in communities across Illinois."





Just Add Water

For nearly six decades, McKeil Marine has offered a reliable, economical and sustainable transportation choice in the vital Great Lakes corridor – and business is booming.

IF YOU NEED TO MOVE a large volume of cargo in a single load – using a method that’s energy efficient, highly cost-effective and extremely safe – the short list of options is likely to begin with shipping by water. Since 1956, that’s been the secret of success for McKeil Marine, a Hamilton, Ontario-based company that specializes in customized cargo shipping and logistics support.

Serving the Great Lakes, the St. Lawrence Seaway and Canada’s East Coast and Arctic, McKeil provides a wide range of marine transportation services, including towing, ship docking, ice-breaking, salvage and marine construction. With locations in Hamilton, Port Dover (on Lake Erie), Montreal and St. John’s, Newfoundland, the family-owned company operates a fleet of 20 tugboats, 30 barges and various other vessels.

An Economic Success Story

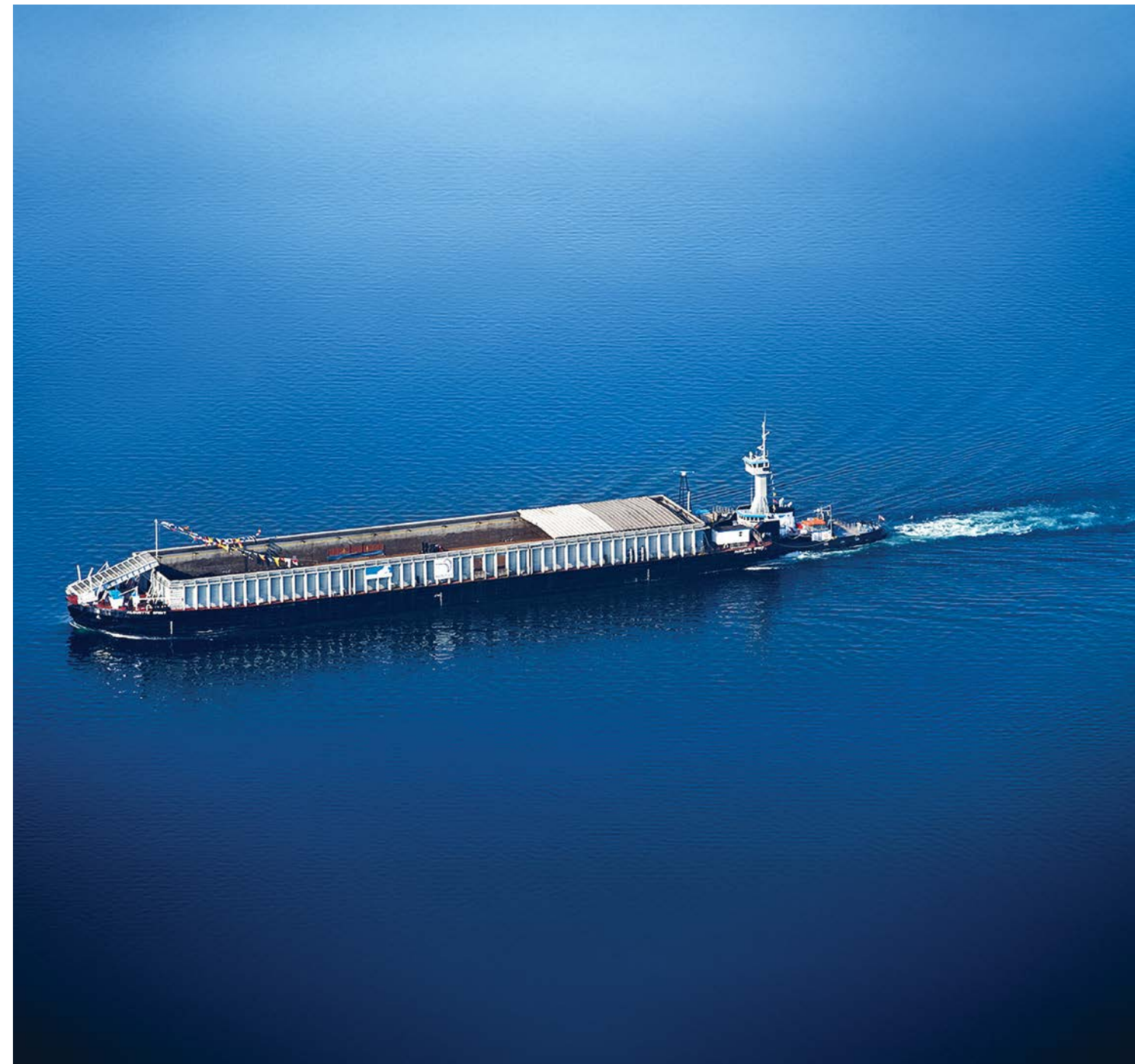
“Marine transportation plays a vital role in the value chain of economic growth,” says chairman and CEO Blair McKeil, the son of founder Evans McKeil. The company has more than 200 full-time

employees and indirectly creates hundreds of jobs in related businesses. This impact reflects a steadily increasing demand for services, especially along the eastern seaboard and in the Arctic. As a result, McKeil has achieved remarkable revenue growth – more than 100% over the past six years. And meeting the company’s diverse financial needs is a team of business bankers from BMO.

“Our partnership with BMO is founded on respect and trust,” says Blair. “The bank’s innovative approach is aligned with ours and helps facilitate growth. Customized financing has enabled us to expand and upgrade our fleet, develop the infrastructure to support our evolving needs and invest in our most valuable asset – people.”

The Greener Choice

In what is already regarded as an environmentally responsible area of transportation, McKeil constantly seeks new ways to lower fuel consumption and modify vessel design to minimize impact. The company is a founding



member of Green Marine, which promotes sustainability in the industry. As an example of those ideals in action, McKeil’s nine-year partnership with Aluminerie Alouette has taken 50,000 truckloads of processed aluminum off the highways and reduced greenhouse gas emissions by an estimated 200,000 tonnes.

The company’s social responsibility is also reflected in McKeil Cares, a program that supports community organizations that are important to its employees. And Blair McKeil’s person-

al philanthropy includes a cornerstone donation to the McKeil School of Business at Hamilton’s Mohawk College, which credits its benefactor with “honouring his father’s vision of a company that continuously demonstrates a commitment to people, community and excellent customer service.”

In addition to being an economic enabler for several industries, McKeil reduces highway congestion and helps clients reduce their environmental footprint.

Helping the Community Grow

\$250,000
donation to Laurentian University’s Goodman School of Mines



\$250,000 donation to Operation HOPE in support of financial literacy programs

100%

score on the 2013 Corporate Equality Index. The Human Rights Campaign Foundation named BMO Harris Bank one of the Best Places to Work for LGBT Equality for the fourth year in a row



\$75,000 donation to the LGBT Community Fund of the Chicago Community Trust

\$1.25 million

raised through the Equity Through Education program run by BMO Capital Markets



Professional Pride

For members of the BMO Pride employee resource group, being proud of who you are, what you achieve in your career and the organization you work for are all facets of the same story.

“WHEN I JOINED THE BANK in early 2011,” says Pia Schmidt-Hansen, “I was excited to learn about the BMO Pride group. From the first meeting, I saw the passion in other members and was eager to be a part of it.”

A senior business analyst in the Technology and Operations group, Pia has since been elected to the board of BMO Pride, one of the bank’s most active and widely supported affinity groups. “BMO has created an inclusive environment where employees who identify as LGBTQ [Lesbian-Gay-Bisexual-Transgendered-Queer] feel they can bring their whole selves to

work,” Pia says. “This makes for happier and more engaged employees. And it benefits the bank to welcome diverse ideas and experiences that contribute to better service, products and support for our customers.”

Community Connections

BMO Pride and its U.S. counterpart, BMO Harris Pride, devote a lot of energy to engaging with the larger LGBTQ community. For example, members participate in the annual Pride and Remembrance run, a charitable event associated with Toronto’s high-profile Pride Week celebration in late

June. Other initiatives spearheaded by the group (which also includes many straight allies) range from organizing awareness seminars and event sponsorships to ensuring that customer-oriented programs such as Taking Care of Your Retirement include an LGBTQ perspective.

BMO Pride’s engagement with the community can also open doors for new business. For instance, the bank has long been the lead sponsor of Buddies in Bad Times Theatre, a platform for LGBTQ expression in Toronto and the hub for several youth programs. When the theatre found its existing financial institution could no longer keep pace with its evolving needs, management turned to BMO as a bank that had always shown strong support for the entire community.

That profile will only grow as BMO Pride continues its highly visible sponsorship and fundraising efforts, helped by a growing number of members who share Pia’s enthusiasm: “Being a part of this group has made me proud to come to work every day. It’s given me the opportunity to network with employees in other cities and other areas of the bank that I wouldn’t have met otherwise. I now have a better understanding of BMO’s business strategy, and of the huge difference that employee engagement makes, both in our own lives and in the communities where we operate.” ☺

Pictured from left to right: Anil Narain, Fun Man Lee and Pia Schmidt-Hansen, members of BMO Pride.



Success Takes a Dive

In Newfoundland’s booming offshore oil industry, Pro-Dive Marine Services is expanding through innovation and investing in people – while helping to drive the local economy.

EVERY JOB HAS ITS CHALLENGES, but maintaining oil rigs in the dark, frigid waters of the North Atlantic is definitely at the demanding end of the spectrum. This is the everyday work environment of Newfoundland-based Pro-Dive Marine Services, which has transformed itself into a key supplier to the rapidly growing oil and gas industry off Canada’s East Coast.

Founded in 1983, Pro-Dive supplies the offshore exploration and development sector with a range of services, including remotely operated vehicles (ROVs) for construction and drill support, saturation diving support for deep-water engineering projects, and diving services.

Having established a solid reputation for safety and reliability, the company reached a point 10 years ago when it was time to invest in people and technology. “Pro-Dive was moving into a significant phase of expansion,” explains founder and president David Squires. “We were looking for a bank that would be a partner and understand that our growth objectives in this technically specialized industry require foresight in financing and flexibility in short-term cash flow requirements. BMO understood our non-traditional business model and the unique nature of our industry.”

Growing the Local Economy

With the bank’s support, Pro-Dive has expanded its ROV fleet from robots



used for observation only, to larger intervention vehicles with capabilities not previously provided by any Newfoundland company. Such technology investments have significant, multi-year lead times. The same is true of Pro-Dive’s investment in people and training, which has grown to meet the complex demands of offshore work.

As he continues building his business, David remains conscious of Pro-Dive’s leadership role in growing the regional economy: “We’re helping our suppliers expand and add to the skills of the local workforce – goals that can’t be achieved when goods and skills are imported.” At the same time, Pro-Dive has a keen sense of environmental responsibility, adopting

eco-friendly diving equipment and using electrical propulsion systems on undersea vehicles. “As a company that interacts directly with the marine environment,” David says, “we minimize potential impacts.”

What’s next? “Pro-Dive is always looking to reset industry benchmarks,” David says, “whether enhancing our service offerings, adopting ISO quality standards or acquiring next-generation equipment. To remain a leader, we’ll continue raising the bar in the coming years.” ☺

BMO provided \$2 million in financing for the locally built Pro-Dive Attender, one of a handful of such dive support vessels in the world.



Heavy Metal

As CEO of the company that she built with her late husband, Rita Kress guides a leading global manufacturer of specialty carriers for processed metals and other heavy materials.

Success at Kress is achieved through controlled growth and the ability to adapt to specialized markets and needs worldwide.

“I REMEMBER BACK when we had six employees and faced one problem after another,” Rita Kress recalls. “Sometimes it was touch-and-go for cash flow. But through constant growth and diversification of design, we succeeded.”

Founded as a modest family business in 1965, Kress Corporation today is a major manufacturer of mobile equipment for steel mills, surface

mines and other industries requiring the transport of heavy materials. From its headquarters in Brimfield, Illinois, the company supplies machines to customers operating in demanding environments on seven continents.

Early on, Kress made the decision to align with Caterpillar, a world leader in construction and mining equipment, by making components that integrated with

the larger company’s “prime mover” machines. More than 45 years later, that solid partnership helps Kress reach an expanding global network of customers – sustaining the vision of constant growth championed by company founder Ted Kress, who died in 2003.

“We’ve attained growth by producing the very best product,” says Rita, whose role from the beginning has been to

figure out the mechanics of turning her husband’s vision into reality. “We know what has made us successful, and we’re not going to deviate from that.”

Perpetual Motion

A key contributor to the company’s success is a belief in seeking top-notch expertise, from legal and accounting advice to business banking. “The one thing I’d always heard about BMO Harris Bank,” Rita says, “was that once you became a customer, you stayed a customer – and I can attest to that. I tightly manage cash flow, and I’ve always tried to limit borrowing. BMO Harris has been instrumental in helping us pay off our debt. Since we switched over, we’ve never lost our momentum. And when an issue comes up, all I have to do is pick up the phone.”

The Kress philosophy of mutually rewarding partnerships extends as well to the local community, where Rita is involved in everything from water conservation to the Boy Scouts to a group called Forward Focus CI, which promotes economic development in the region around Peoria. As she sums it up, “It’s only right to help the area your people live in.”

As for the company’s future, the CEO has an industry veteran’s perspective: “In business everything changes – people, needs, entire economies. You have to be ready to constantly adjust while keeping your eyes on the road ahead.”



What’s in a Name

BMO Harris Bradley Center, Milwaukee, Wisconsin

“The BMO Harris Bradley Center has a net annual economic impact of more than \$80 million in metro Milwaukee. It’s a tremendous community asset and job creator. When we issued a call for Champions of the Community to help build a bridge from the Center to the future, BMO Harris Bank really stepped up. This sponsorship will have a big and important impact.”

TIM SHEEHY, PRESIDENT, THE METROPOLITAN MILWAUKEE ASSOCIATION OF COMMERCE

BMO Harris Bank Center, Rockford, Illinois

“Our partnership with BMO Harris Bank is more than just putting their name on the arena – it was and is an investment in downtown Rockford and a clear signal that BMO Harris Bank is vested in the revitalization of our city. The BMO Harris Bank Center is a great example of what can be done when private and public sectors work together for the good of citizens.”

MIKE DUNN, CHAIRMAN, ROCKFORD AREA VENUES AND ENTERTAINMENT AUTHORITY

BMO Field, Toronto, Ontario

“BMO Field is a great asset for the community and a leading example of a private-public partnership. It not only supports sports and its associated benefits, such as health and fitness, but also drives economic growth and development in the city of Toronto for the long term.”

TOM ANSEMI, PRESIDENT & CHIEF OPERATING OFFICER, MAPLE LEAF SPORTS & ENTERTAINMENT

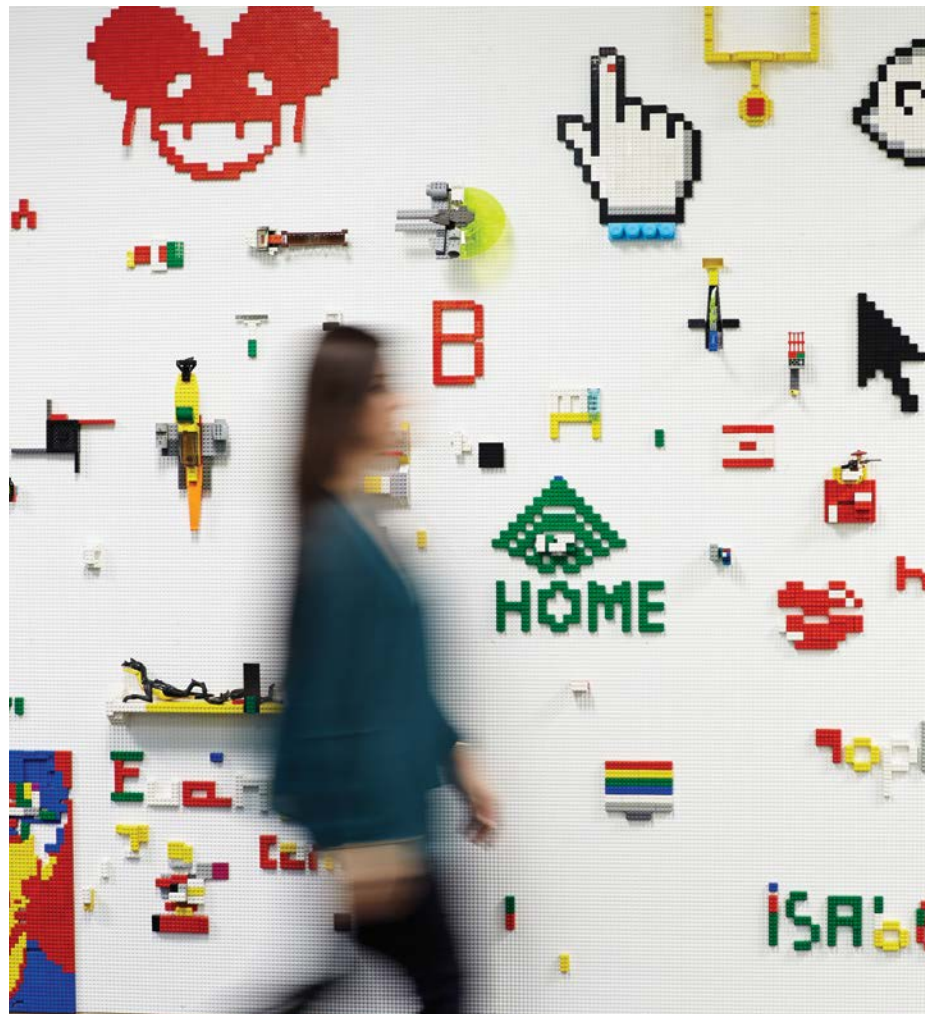


BMO Field, Toronto, Ontario



One Klick Away

Toronto-based digital marketing agency Klick Health has built an international reputation – and achieved remarkable growth – through its work for high-profile clients in the healthcare industry.



IF YOU ASKED THE TOP 20 global pharmaceutical and biotech companies what they have in common, 15 could answer with a single word: Klick. To get their messages out to the audiences they want to reach online, these industry leaders turn to Klick Health, the world’s largest independent health-focused digital marketing firm.

Founded in Toronto by a trio of partners in 1997, Klick has grown rapidly to become a standard-bearer for innovative communications in the healthcare sector. The agency offers a broad array of digital services, including custom web app development, content and creative development, e-learning course design and management systems, and website design, analytics and usability consulting.

Klick’s clients range from drug and medical device manufacturers to providers of diagnostic services and managed care. And while its digital solutions vary with each client’s specific challenges, the common thread is a need to engage and inform healthcare providers, who in turn educate patients on vital health issues and potential treatments.

Named Agency of the Year by two leading industry publications, Klick exceeded its 2012 earnings forecast by

Learning to Balance

Financial education comes naturally to a bank that’s in business to simplify complexity, provide helpful guidance and give customers confidence in their own decision-making.



Employees participate in leadership training at the BMO Institute for Learning.

Helping to improve financial literacy is part of BMO’s commitment to Making Money Make Sense. In communities across North America, tens of thousands of bank employees devote their time and energy to enhancing people’s understanding of financial products, services and concepts – whether we’re guiding first-time homebuyers as they compare mortgage offers or teaching students how to balance a chequebook.

We aim for balance in our own approach as well, aligning financial literacy programs with our broader responsibilities as a well-managed business. In strengthening our employees’ ability to inform and advise, we have a clear purpose: to build customer loyalty and connect more effectively with particular kinds of customers – for instance, parents who are trying to educate their children about money. At the same time, we work with governments and community agencies to promote greater financial fluency among all Canadians and Americans. It’s an opportunity to provide leadership within our own industry while acknowledging the trust people place in us as a financial institution.



Employee Financial Education

As we reinforce BMO’s vision – to be the bank that defines great customer experience – our employees need to be familiar with the full range of banking options, supported by up-to-date financial information. So in 2012 we launched a financial education program aimed at enhancing our own capabilities and confidence.

Step one was a bank-wide financial literacy survey, which helped identify areas where we could provide employees with additional knowledge and support – both in their financial literacy efforts and in their everyday conversations with customers. We’re now creating a series of courses at BMO’s Institute for Learning to further develop employees’ expertise and capabilities. This online program, to be launched later in 2013, will be available to customers as well.



Financial Literacy Resource Center

The BMO Harris Bank intranet is gaining an added educational feature: the Financial Literacy Resource Center, which will offer a series of web-based learning modules designed to support employees as they develop community seminars and other outreach initiatives. The center will also provide webinars on best teaching practices, information about upcoming events, a directory of employee facilitators, updates on the bank’s various service activities (including those that fall under the *U.S. Community Reinvestment Act*) and recognition of employees who’ve made a difference in advancing financial literacy.

Klick’s unique workspace, designed by Peter Cordy, includes a LEGO wall, a gym and an ice cream bar.

\$5 million. But what’s equally important for the management team is feeling that their work has an impact. “It’s humbling,” says founding partner, chairman and CEO Peter Cordy, “to know that some of our programs improve how health issues are managed and even change lives.”

Success Fuels Success

Klick’s founders also take pride in providing a great place to work. Named among Canada’s Best Managed Companies, the agency has won national awards for being a top employer – turnover is less than half the industry average – and for creating an exemplary workplace.

Moreover, Klick is recognized as one of North America’s fastest-growing companies: last year the workforce grew by 50% to nearly 300 employees, including a new U.S. sales team.

This dramatic growth requires rigorous planning and a solid foundation – which is where BMO has been able to help. “Having a strong, reliable financial partner has contributed to our success,” says Peter, who as CFO has dealt almost exclusively with the bank since Klick opened its doors. “As our needs constantly evolve – whether we’re enlarging our offices, investing in equipment upgrades or expanding to the U.S. – we know we can rely on BMO.”

In addition to providing operating facilities for everyday business needs, BMO also helps finance learning programs and research-based initiatives. This requires an understanding of the pharma sector that Peter had found to be rare in banks. He also appreciates having banking partners who share the basic values that shaped his firm’s success: “Our revenues are approaching \$100 million, but we’re still vigilant about keeping our attitudes and behaviours the same as when we were a start-up. It may seem simplistic, but we believe that the secret of our success is our clients’ success.”

OUR FOUNDATION



A Foundation of Strong Corporate Governance

BMO IS COMMITTED to upholding the highest level of business ethics and corporate governance. Responsible conduct is necessary to ensuring the long-term sustainability and viability of our organization, and we're proud of the way we do business.

We adhere strongly to the tenets of sound corporate governance – transparency, disclosure and honesty. These tenets are the foundation of our corporate responsibility strategy, and they never change. But governance practices must evolve as the economic environment shifts and our business changes. We continuously review, evaluate and modify our governance practices so they continue to meet our high standards – and the standards of our operating environment.

Our corporate governance practices meet or exceed all applicable rules adopted by the Canadian Securities Administrators and the U.S. Securities and Exchange Commission, and the provisions of the *U.S. Sarbanes-Oxley Act of 2002*.



Compliance

Compliance is an essential element of a bank's social performance. We have policies and processes in place with respect to legal and regulatory compliance in all jurisdictions where BMO or our subsidiaries or affiliates conduct business. Complying with applicable laws, rules and regulations is a critical part of doing what is right.

Our compliance policies address security matters, including:

- the privacy of personal information
- information technology security
- whistleblower protection
- anti-money laundering
- corruption.

Stakeholder Engagement

Our stakeholders are part of every decision we make.

Maintaining lasting relationships with our stakeholders is essential to the long-term sustainability of our business. We're committed to working with our shareholders, our employees, our communities and our customers – understanding their expectations and interests creates opportunities for making our business better, and helps us achieve our vision of being the bank that defines great customer experience. For a more comprehensive look at our corporate governance practices, please see our website, proxy circular, environmental, social and governance report and public accountability statement and annual report.

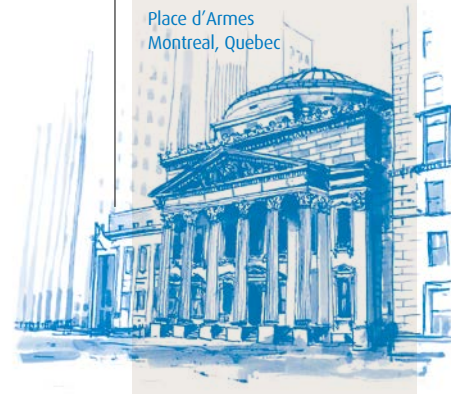
A culture of trust and good governance begins with our employees. Everyone working at BMO is required to read and act in accordance with our code of conduct, *FirstPrinciples*, which provides a framework for the behaviour and ethical decision-making integral to the work we do.

FirstPrinciples guides us to ask: Is it fair? Is it right? Is it legal? Asking these questions ensures that honesty, integrity and well-defined ethical standards are the foundation for everything we do.

FirstPrinciples states that all BMO employees must:

- Do what is fair, honest and ethical.
- Respect the rights of others.
- Work to the letter and spirit of the law.
- Protect privacy and confidentiality.
- Deal with conflicts of interest.
- Conduct ourselves appropriately at all times.
- Be accountable.

Place d'Armes
Montreal, Quebec



2012 Highlights A closer look at our year



BMO supports soccer, from young players in local communities all the way up to the professional level. In 2013 we announced a \$20,000 grant to Urban Ventures, a non-profit working to break the cycle of generational poverty in south Minneapolis. The grant will support several initiatives including Urban Stars, a youth soccer program for boys and girls aged 3-19. The program gives young people a competitive soccer experience while providing them with a safe place to play, learn and grow.

\$5,366 million

adjusted total employee compensation

5.17

training days per employee

\$55.7 million

total community donations

184

years: the longest-running dividend payment record of any company in Canada

\$90.6* million

total spent on employee training

\$13.5 million

in employee donations

400,000

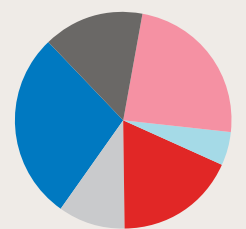
students provided with free banking services

83%*

Annual Employee Survey participation rate

96

tonnes of waste diverted from landfill through our technology disposal program



- 24% Hospitals and healthcare
- 15% Civic and community initiatives
- 28% Education
- 10% Federated appeals
- 18% Arts and culture
- 5% Other

*Data from 2012 Environmental, Social and Governance Report and Public Accountability Statement.



Rob Prichard, Chairman, BMO Board of Directors and Deborah Gillis, Chief Operating Officer, Catalyst. In 2012, the Catalyst Accord was launched with the goal of increasing the proportion of FP500 board seats held by women in Canada to 25% by 2017.

Twenty years ago BMO published its landmark report of our Task Force on the Advancement of Women in the Bank. It was groundbreaking work – not just for BMO, but for corporate Canada. Tony Comper, then the bank’s President and COO, summed up the consensus: “The glass ceiling is now officially smashed.”

Two decades on, while we’re grateful to have been recognized repeatedly for being at the forefront in promoting diversity and inclusion, the work – and it’s work that all of us take on – isn’t close to being done. Promoting diversity, working at it and making sure no one falls behind requires a never-ending commitment.

For our bank, there was no more fitting way to mark this 20-year milestone than to renew our commitment to creating an equitable workplace. And we commend our Board for taking another significant step forward: BMO was among the first to sign the Catalyst Accord, an initiative that challenges Canada’s business community to increase the representation of women on corporate boards.

In fact, the bank’s Board of Directors, chaired by Rob Prichard, took the Accord further, setting an even higher goal for BMO and then publishing it in the 2013 Proxy Circular. And we’ve met our target: women now comprise one third of the bank’s independent board membership.

These efforts add up to far more than promoting equity. They’re about making progress – and it’s time to accelerate the agenda.

Contact Us
BMO Financial Group’s 2013 Corporate Responsibility Report is available for viewing or printing on our website. If you have any questions regarding our corporate responsibility activities, contact us: corporate.responsibility@bmo.com.



THE EQUATOR PRINCIPLES



FTSE4GOOD INDEX SERIES



Dow Jones Sustainability Indexes
Member 2012/13

DOW JONES SUSTAINABILITY INDEX – NORTH AMERICA



HAS PROVIDED CARBON OFFSETS. THIS CORPORATE RESPONSIBILITY REPORT IS CARBON NEUTRAL



The following are trademarks of Bank of Montreal or its subsidiaries:

BMO, BMO and the M-bar roundel symbol, BMO Financial Group, BMO Field, BMO Harris Bank, BMO Harris Bank Center, InvestorLine, M&I, Making Money Make Sense

The following are trademarks of other parties:

Kids Help Phone is a registered trademark of Kids Help Foundation/La Fondation Jeunesse J’écoute Money Smart Week is a registered trademark of Federal Reserve Bank of Chicago United Way is a registered trademark of United Way of Canada-Centraide Canada/United Way Worldwide

