Enterprise-Wide Strategy

Our Vision
To be the bank that defines great customer experience.

Our Guiding Principle
We aim to deliver top-tier total shareholder return and balance our commitments to financial performance, our customers and employees, the environment and the communities where we live and work.

Our Strategy in Context
Customers are redefining their expectations of the banking industry in real time. Amidst this change, we have evolved our brand position in the belief that money is personal, and a bank should be, too. Grounded in our vision, We’re here to help is a simple statement meant to inspire and guide what we do every day. We aim to help customers feel valued, understood and confident in the decisions they make.

Our strategic priorities have proven to be robust in the midst of evolving expectations, strong competitive activity and continued market uncertainty. We believe that the strength of our business model, balance sheet, risk management framework and leadership team, along with the advantages offered by the scale of our consolidated North American platform, will continue to generate sustainable growth and help us deliver on our vision and brand promise.

Our commitment to stakeholders is evident in our focus on delivering an industry-leading customer experience, managing revenue and expenses to achieve our financial goals, and maintaining a prudent approach to risk management. We are making good progress on our enterprise strategic priorities, with select accomplishments outlined below, as well as on our group strategies, detailed in the 2014 Operating Groups Performance Review, which starts on page 42.

Our Priorities and Progress
1. Achieve industry-leading customer loyalty by delivering on our brand promise.
   - Developed capabilities in digital banking and investing to help customers in new and innovative ways:
     - Refreshed our public websites, bmo.com and bmoharris.com, with a brand-aligned user interface and updated navigation, enabling customers to get the help and information they need.
     - Enhanced our Canadian mobile banking application with a simple interface and new capabilities, including allowing customers to send Interac® e-Transfers and book branch appointments anywhere, anytime. The updated application has been well received by customers, and the number of mobile transactions has nearly doubled over the past year.
     - Became the first Canadian bank to give customers the ability to transfer money between Canadian and U.S. dollar accounts through our Canadian mobile banking application.
     - Launched an integrated Personal Banking and InvestorLine tablet application with enhanced functionality, allowing customers to seamlessly access banking and investing services online through a single secure channel.
     - Added automated banking machine (ABM) cheque image capture capability at more than 500 ABMs in the United States.
     - In Illinois, launched BMO Harris Healthy Credit™, an innovative service offering that educates customers about their credit scores when they open an account.
   - Sponsored a variety of financial education and home ownership workshops throughout our U.S. market as part of the Federal Reserve Bank’s Money Smart Week.
   - Across North America, sponsored the second annual Talk With Our Kids About Money Day, offering tools and resources to raise financial awareness among children.
   - Enhanced our customer loyalty measurement program to provide a deeper understanding of loyalty drivers and more timely measurement at both a full relationship and transaction level, allowing us to continue improving our customers’ experience.
   - In Wealth Management, launched a new webpage designed to educate and recruit women for investment advisory careers, making BMO the first Canadian financial institution to offer a website focused exclusively on educating women about opportunities within the financial services industry.
   - Continued to develop new products designed to respond to clients’ emerging needs, including the launch of seven new exchange traded funds (ETFs) this year. Assets under management in our ETF line of business have grown to over $17 billion, a 45% increase over last year.

2. Enhance productivity to drive performance and shareholder value.
Although we did not have positive operating leverage this year, we made significant progress on a range of productivity initiatives as follows:
   - In Personal and Commercial Banking (P&C), we continued to make improvements to our processes, enabling front-line employees to add new customers and strengthen existing relationships:
     - In Canadian P&C, implemented a new commercial lending platform, enabling consistent process execution and a better customer experience. Also completed the migration of retail credit card accounts to a better platform providing new functionality, including enhanced risk management capabilities.
     - In Canadian P&C, enhanced training for our treasury sales force, which resulted in productivity gains of 22% for commercial banking and 53% for business banking, compared to the prior year.
     - In Canadian P&C, our leads management engine continued to provide our customers with relevant and timely offers and services, increasing share of wallet and contributing to the personal banking revenue growth achieved in 2014.
     - In Canadian P&C, expanded relationships with our customers and streamlined organizational structures and processes, resulting in continued strong volume growth and greater sales force productivity.
3. Leverage our consolidated North American platform to deliver quality earnings growth.

- Continued to develop consolidated North American capabilities and platforms in priority areas:
  - Developed consistent branding in Canadian and U.S. P&C businesses, building on common customer insights and changing expectations of the banking industry.
  - Maintained key North-South leadership mandates to achieve greater consistency and eliminate duplication.
  - Continued to expand our business and capabilities in the United States:
    - In Premier Services, our mass affluent client service model placed more than 100 banker-advisor teams in markets across the country. This program provides clients with personalized, holistic financial solutions.
    - Increased total sales generated per mortgage banker by 37% through enhanced coaching focused on the realtor and purchase business and a more effective approach to the credit approval process.

4. Expand strategically in select global markets to create future growth.

- Completed the acquisition of F&C Asset Management plc (F&C). This acquisition strengthens the position of BMO Global Asset Management as a globally significant money manager, adding scale, capabilities and resources to its asset management platform and providing attractive cross-selling opportunities.
- Ranked among Top 20 global investment banks, and 13th-largest investment bank in North and South America based on fees by Thomson Reuters.
- Expanded our Capital Markets footprint in London, the hub of our Europe, Middle East and Africa activity, supporting our focused leadership expertise and enhancing our ability to execute global deals.
- Added Trade Finance capabilities in Hong Kong, further strengthening our overall Asia platform.

5. Ensure our strength in risk management underpins everything we do for our customers.

- Significantly reduced our U.S. impaired loan portfolio.
- Received approval to use the Advanced Measurement Approach to manage operational risk.
- Further embedded our risk culture across the enterprise with the rotation of more than 100 employees and executives across risk management and the operating groups.
- Enhanced our risk appetite framework with stronger linkages to strategic planning, performance management and compensation.
- Continued to develop our risk infrastructure to support the efficiency and effectiveness of risk management.

Factors That May Affect Future Results

As noted in the following Caution Regarding Forward-Looking Statements, all forward-looking statements and information, by their nature, are subject to inherent risks and uncertainties, both general and specific, which may cause actual results to differ materially from the expectations expressed in any forward-looking statement. The Enterprise-Wide

Risk Management section starting on page 77 describes a number of risks, including credit and counterparty, market, liquidity and funding, operational, insurance, legal and regulatory, business, model, strategic, reputation, environmental and social. Should our risk management framework prove ineffective, there could be a material adverse impact on our financial position.

Caution Regarding Forward-Looking Statements

Bank of Montreal's public communications often include written or oral forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the “safe harbor” provisions of, and are intended to be forward-looking statements under, the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2015 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, and the results of or outlook for our operations or for the Canadian, U.S. and international economies.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that our assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which we operate; weak, volatile or illiquid capital and/or credit markets; interest rate and currency value fluctuations; changes in monetary, fiscal or economic policy; the degree of competition in the geographic and business areas in which we operate; changes in laws or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance; judicial or regulatory proceedings; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; our ability to execute our strategic plans and to complete and integrate acquisitions, including obtaining regulatory approvals; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; operational and infrastructure risks; possible effects of our business on war, terrorism, disease or illness that affects local, national or international economies; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; technological changes; and our ability to anticipate and effectively manage risks associated with all of the foregoing factors.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors and risks could adversely affect our results. For more information, please see the discussion in the Risks That May Affect Future Results section on page 78, and the credit and counterparty, market, liquidity and funding, operational, insurance, legal and regulatory, business, model, strategic, reputation, environmental and social. Should our risk management framework prove ineffective, there could be a material adverse impact on our financial position.

Assumptions about the performance of the Canadian and U.S. economies, as well as overall market conditions and their combined effect on our business, are material factors we consider when determining our strategic priorities, objectives and expectations for our business. In determining our expectations for economic growth, both broadly and in the credit services sectors, we primarily consider historical economic data provided by the Canadian and U.S. governments and their agencies. See the Economic Developments and Outlook section of this document.