

# Who We Are

Established in 1817, BMO Financial Group is a highly diversified financial services provider based in North America. We are the eighth largest bank in North America by assets, with total assets of \$710 billion and more than 45,000 employees. BMO provides a broad range of personal and commercial banking, wealth management and investment banking products and services to more than 12 million customers. We serve eight million customers across Canada through our Canadian personal and commercial arm, BMO Bank of Montreal. We also serve customers through our wealth management businesses: BMO Global Asset Management, BMO Nesbitt Burns, BMO Private Banking, BMO Insurance and BMO InvestorLine. BMO Capital Markets, our investment and corporate banking and trading products division, provides a full suite of financial products and services to North American and international clients. In the United States, BMO serves customers through BMO Harris Bank, based in the U.S. Midwest with more than two million retail, small business and commercial customers. BMO Financial Group conducts business through three operating groups: Personal and Commercial Banking, Wealth Management and BMO Capital Markets.

## Our Financial Objectives

BMO's medium-term financial objectives for certain important performance measures are set out below. These objectives establish a range of expected performance over time. We believe we will deliver top-tier total shareholder return and meet our financial objectives by aligning our operations with, and executing on, our strategic priorities, along with our vision *To be the bank that defines great customer experience*. We consider top-tier returns to be top-quartile shareholder returns relative to our Canadian and North American peer group.

BMO's business planning process is rigorous, sets ambitious goals and considers the prevailing economic conditions, our risk appetite, our customers' evolving needs and the opportunities available across our lines of business. It includes clear and direct accountability for annual performance that is measured against both internal and external benchmarks and progress toward our strategic priorities.

Our medium-term financial objectives on an adjusted basis are to achieve average annual earnings per share (adjusted EPS) growth of 7% to 10%, earn an average annual return on equity (adjusted ROE) of 15% or more, generate average annual net operating leverage of 2% or more and maintain capital ratios that exceed regulatory requirements. These objectives are guideposts as we execute against our strategic priorities. In managing our operations and risk, we recognize that current profitability and the ability to meet these objectives in a single period must be balanced with the need to invest in our businesses for their future long-term health and growth prospects.

Our one-year adjusted EPS growth rate was 8.5%, consistent with our target growth range of 7% to 10%. Our adjusted net operating leverage of 1.9% in 2017 and 2.1% in 2016 were in line with our target of 2% or more. Our one-year adjusted ROE of 13.7% was below our target of 15% or more. Higher capital requirements have had a negative impact on ROE and as a result, our 15% ROE objective is ambitious and will take time to attain. BMO is well-capitalized with a Common Equity Tier 1 Ratio of 11.4%.

## Reasons to Invest in BMO

- Strong, diversified businesses that continue to deliver robust earnings growth and long-term value for shareholders.
  - Large North American commercial banking business with advantaged market share.
  - Well-established, highly profitable core banking business in Canada.
  - Diversified U.S. banking operations well positioned to benefit from growth opportunities.
  - Award-winning wealth franchise with an active presence in markets across Canada, the United States, Europe and Asia.
  - Competitively advantaged Canadian and growing mid-cap focused U.S. capital markets business.
- Well-capitalized with an attractive dividend yield.
- Efficiency-focused, enabled by technology innovation, simplification, process enhancement and increased digitalization across channels.
- Customer-centric operating model guided by a disciplined loyalty measurement program.
- Adherence to the highest standards of corporate governance, including sustainability principles that ensure we consider social, economic and environmental impacts as we pursue sustainable growth.

As at and for the periods ended October 31, 2017	1-year	5-year*	10-year*
Average annual total shareholder return	20.2	15.5	9.7
Average growth in annual EPS	14.5	5.5	8.3
Average growth in annual adjusted EPS	8.5	6.5	4.7
Average annual ROE	13.3	13.3	13.5
Average annual adjusted ROE	13.7	13.9	14.5
Compound growth in annual dividends declared per share	4.7	4.8	2.8
Dividend yield**	3.6	3.9	4.6
Price-to-earnings multiple**	12.5	12.2	12.3
Market value/book value ratio**	1.60	1.55	1.54
Common Equity Tier 1 Ratio	11.4	na	na

\* 5-year and 10-year growth rates reflect growth based on CGAAP in 2007, respectively, and IFRS in 2012 and 2017, respectively.

\*\* 1-year measure as at October 31, 2017; 5-year and 10-year measures are the average of year-end values.

na - not applicable

Adjusted results in this section are non-GAAP and are discussed in the Non-GAAP Measures section on page 29.

The Our Financial Objectives section above and the Enterprise-Wide Strategy and Economic Developments and Outlook sections that follow contain certain forward-looking statements. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Please refer to the Caution Regarding Forward-Looking Statements on page 31 of this MD&A for a discussion of such risks and uncertainties and the material factors and assumptions related to the statements set forth in such sections.