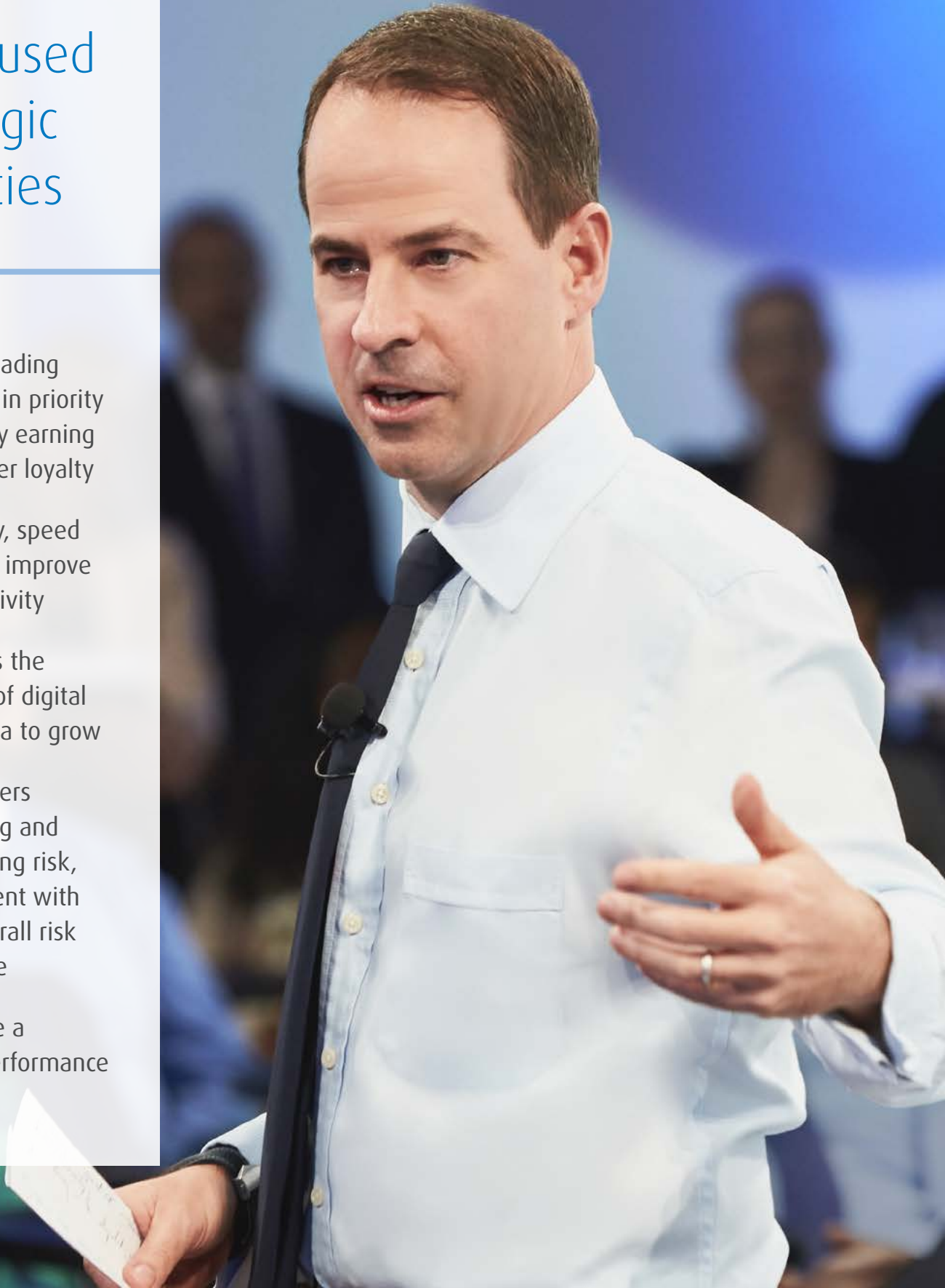


During BMO's 2018 OneBank sessions – a series of large-scale interactive meetings focused on our strategy – Darryl White met with employees across the enterprise, engaging them in dialogue and sharing perspectives on all the ways we are moving the bank forward.

Refocused strategic priorities

1. Drive leading growth in priority areas by earning customer loyalty
2. Simplify, speed up, and improve productivity
3. Harness the power of digital and data to grow
4. Be leaders in taking and managing risk, consistent with our overall risk appetite
5. Activate a high-performance culture



How we work

Darryl White

Chief Executive Officer

Over the past 12 months, our bank delivered good performance. The diversification of our operating groups continues to be a key strength: our mix of businesses is advantaged and resilient. BMO has important strategic advantages, and we're facing the future with confidence – building on what works, then aiming higher.

With the benefit of sustained, strategic investment, BMO has built a solid foundation for growth. And to see how that growth is accelerating, we only have to look at the bank's key financial metrics for fiscal 2018:

Adjusted net income reached \$6 billion, up 9% from the previous year, generating an adjusted return on equity of 14.6%. Total net revenue rose by 5%. Adjusted earnings per share grew by 10% to \$8.99. The dividend declared grew by 6.2%.

BMO's capital position at year-end, with a Common Equity Tier 1 ratio of 11.3%, provides flexibility in our decision-making around business growth.

Adjusted earnings from the bank's U.S. segment rose 25%. We grew our leading position in North American commercial banking, adding customer relationships, loans and deposits. We also delivered real value to our personal customers, more and more of whom prefer to bank digitally – and they've noticed. BMO was recognized as a leader in mobile banking by Forrester, and our bank was named a regional winner for the Americas in the 2018 Gartner Eye on Innovation Awards for financial services.¹

Our Wealth Management business achieved #1 investor satisfaction with self-directed brokerage firms², and BMO Capital Markets continues to make gains serving clients in targeted sectors. Each of these groups is well positioned for growth.

"We manage the bank's portfolio of businesses to enable consistent and sustainable growth through all types of market conditions. Our cross-border capabilities are unmatched."

Setting this performance in its broader context: Ten-year total shareholder return has exceeded our peer average, as well as the S&P/TSX composite index, as at our fiscal year-end. And we expect to continue rewarding BMO shareholders' confidence into the future, as we target earnings per share growth in the 7% to 10% range over the medium term.

¹The identification of a Gartner award winner or finalist is not an endorsement by Gartner of any company, vendor, product or service.

²J.D. Power 2018 Canada Self-Directed Investor Satisfaction Study.

Refocused strategic priorities

We're in business for our customers. They lead our bank – and their needs help determine where we go next.

At the same time, the fundamentals of BMO's strategy remain consistent – and they're underpinned by the strengths that differentiate us: an award-winning culture; a diversified business mix; leading share in key markets; a respected brand; bedrock capital strength; astute risk management; and industry leadership in employee engagement.

And as we intensify efforts to accelerate growth, we've refocused BMO's strategic priorities – highlighted at the opening of this message – to reflect our stated business goals and guide decisions across the enterprise. They summarize neatly how we're driving the bank forward with confidence.

Accelerated U.S. growth

We continue to grow our U.S. segment at a faster pace than the overall bank.

In fiscal 2018, BMO's businesses in the U.S. accounted for 28% of adjusted net income, up from 4% a year earlier. The bank's U.S. earnings have grown tenfold since 2010. Our well-established strength in U.S. commercial banking – reinforced through leading customer loyalty and increased focus on high-growth geographies and specialty sectors – is complemented by steady deposit growth in our personal

and small business franchises. Factoring in comparable progress across our capital markets, wealth and asset management businesses, we foresee the earnings contribution of our U.S. businesses continuing to grow.

Canadian Personal and Commercial Banking remains BMO's flagship business – a leader in digital innovation and a powerful earnings producer. But it's worth noting that the 15 U.S. metropolitan areas where we have substantial operations account for about a third of the country's overall GDP – an opportunity three times the size of the Canadian economy. And after integrating functions and platforms on both sides of the border, we're well positioned to make the most of having built a truly North American bank. *This* is our home market.

Scaling our technology investment

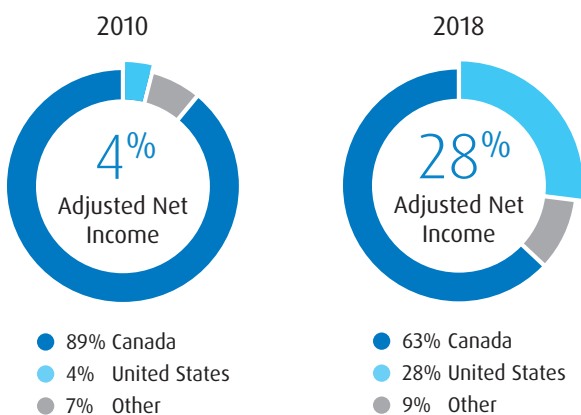
During the past year, we continued shifting BMO's technology focus from the underlying architecture that supports our operations to new capabilities that will drive customer growth. Even as we held the increase in our adjusted overall expense to a disciplined 3% this year, we maintained close to double-digit growth in technology investment. A growing part of that investment is aimed at leveraging digital and data to further transform the customer experience – and not just for customers who connect with us digitally. Technology also supports better interactions when people choose to give us a call. And it enhances customers' in-person banking experience through better infrastructure, faster product delivery, quicker loan adjudication, efficient end-to-end processes and more. Branches remain core to our delivery model: they're important to us and our customers.

We're also acutely aware, in this fast-moving environment, of the need to protect customer information. We can never take our eyes off this crucial tenet of our business. And we extend this vigilance throughout the bank, educating BMO employees on risk-reduction strategies and raising awareness among our customers and business partners.

Innovating to drive efficiency

Technology makes our customers' lives easier – and it also enables us to work more efficiently. We're focused on both sides of the efficiency ratio, finding innovative ways to reduce costs while also increasing revenue. To that end, we've created a new function that looks horizontally across the bank's businesses for opportunities to boost both

Significant U.S. contribution to total bank



internal operations and competitive performance. It's a holistic approach to efficiency: generating value from data; simplifying processes in areas like procurement; reimagining the workplace, and how work gets done, to make us all more productive; and exploring the role of automation and artificial intelligence in helping teams deliver high performance.

As an added catalyst, we recently launched the BMO Innovation Fund, which invites employees in all parts of the bank to suggest ways we can get at untapped growth opportunities – with incentives for the best ideas.

By 2021, we expect to reduce the bank's adjusted net efficiency ratio from the current 62% to 58%. It has decreased by 330 basis points since 2015.

Setting our sights higher

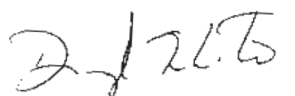
Globally recognized ethical standards. Shared values that define our brand. Earned trust that cements long-term relationships. A commitment to building local opportunity that's matched by our passion for giving back. An inclusive workplace where everyone feels respected – and where diversity is a source of strength. Responsibility isn't just about following the rules; it's about working to keep the system fair and accountable while leading by example. And we're genuinely proud of the contribution we make.

For example, since 2012 we've honoured more than 100 women – successful philanthropists, innovators and

business owners – in communities across Canada and the U.S. through our BMO Celebrating Women program. We've also introduced the Women in Leadership Fund, the first impact-investing mutual fund focused on gender diversity offered by a Canadian bank.

“With the strength of our people and our platform of diversified businesses, we not only have a positive impact on the lives of our customers – we can push boundaries and be a force for positive change.”

Across BMO, there's a genuine excitement about what we're accomplishing. Our bank is mobilized and accelerating. And in every new opportunity we take on, we're driven by a clear purpose and a bold ambition – one that mirrors the aspirations of our customers.

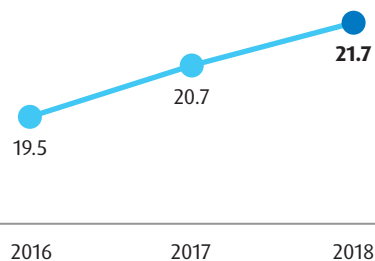


Darryl White
Chief Executive Officer

2018 Performance

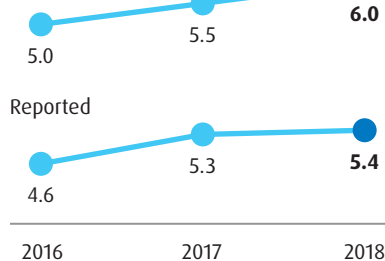
Net Revenue
(C\$ billions)

Reported



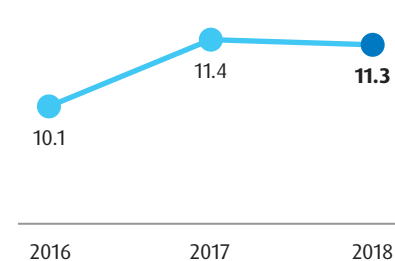
Net Income
(C\$ billions)

Adjusted¹



Common Equity Tier 1 Ratio
(%)

Reported



¹Adjusted results are non-GAAP and are discussed in the Non-GAAP Measures section on page 27.