

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 \$774 billion, and an engaged and diverse base of employees. BMO provides a broad range of personal and commercial banking, wealth management and investment banking products and services, conducting business through three operating groups: Personal and Commercial Banking, BMO Wealth Management and BMO Capital Markets. We serve eight million customers across Canada through our Canadian personal and commercial arm, BMO Bank of Montreal. In the United States, we serve customers through BMO Harris Bank, based in the U.S. Midwest, with more than two million personal, business banking and commercial customers. 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.

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. We consider top-tier returns to be top-quartile shareholder returns relative to our Canadian and North American peer groups.

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 in 2018 was 10.1%, slightly above our target growth range of 7% to 10%. After achieving our adjusted net operating leverage target of 2% or more in each of the prior two years, adjusted net operating leverage for 2018 was 1.2%, in part reflecting softer Capital Markets revenue and continued investment in our business. Our one-year adjusted ROE was 14.6%, up from 13.7% in 2017, and nearing our target of 15% or more. We are well-capitalized with a Common Equity Tier 1 Ratio of 11.3%.

Reasons to Invest in BMO

- Diversified businesses that continue to deliver robust earnings growth and long-term value for shareholders
- Strong foundation built for growth and differentiating strengths that drive competitive advantage:
 - Large and growing North American commercial banking business with advantaged market share
 - Well-established, highly profitable flagship banking business in Canada
 - Diversified U.S. operations well positioned to capture growth opportunities
 - Award-winning wealth franchise with an active presence in markets across Canada, the United States, Europe and Asia, well positioned to accelerate growth
 - Competitively advantaged Canadian capital markets franchise with a scalable U.S. platform
 - Transformative technology architecture, data and digital capabilities delivering customer and business value
- Well-capitalized with an attractive dividend yield
- Creating sustainable efficiency and reinvestment capacity through resource optimization, simplification and innovation
- Leading employee engagement and award-winning culture
- Adherence to industry-leading standards of corporate governance, including principles that ensure our strategic goals are aligned with managing our environmental and social impacts to deliver long-term sustainable growth for our stakeholders

As at and for the periods ended October 31, 2018	1-year	5-year*	10-year*
Average annual total shareholder return	3.3	10.5	13.7
Average growth in annual EPS	3.1	5.9	9.4
Average growth in annual adjusted EPS	10.1	7.7	7.1
Average annual ROE	13.2	13.0	13.6
Average annual adjusted ROE	14.6	13.8	14.3
Compound growth in annual dividends declared per share	6.2	5.2	3.0
Dividend yield**	3.8	3.9	4.3
Price-to-earnings multiple**	12.1	12.2	12.4
Market value/book value ratio**	1.52	1.52	1.55
Common Equity Tier 1 Ratio	11.3	na	na

* 5-year and 10-year growth rates reflect growth based on CGAAP in 2008 and IFRS in 2013 and 2018, respectively.

** 1-year measure as at October 31, 2018; 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 27.

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 29 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.