



Darryl White

Chief Executive Officer

WE'RE MOVING FORWARD with energy and confidence as we continue to build our high-performing, digitally enabled, future-ready bank with leading efficiency, profitability and loyalty – all powered by a winning culture and driven by our Purpose.

We're optimistic about that future. Around the world, economies are reopening as safe and effective vaccines are steadily reaching populations, slowing the spread of COVID-19. As the communities we serve turn the corner from crisis to recovery, we're focused on helping our customers regain momentum and make real financial progress. We've witnessed their resilience as they've adapted to meet the challenges the pandemic has brought.

And now, the energy of the economic recovery brings with it an unprecedented opportunity to make progress. It's a unique moment, and we can harness that energy to build a more equitable economy and a fairer world. Every day, our employees are active in their communities, supporting our customers through the recovery and beyond, with bold ambitions for the future inspired by our Purpose to Boldly Grow the Good *in business and life* for everyone.

Consistent strength through headwinds

To fulfill our Purpose, we need to be the strongest bank we can be. Strong and sustainable long-term financial performance drives our capability to grow the good. On this front, it has been an encouraging year. BMO's superior risk management and strong capital position have strategically positioned us for the economic recovery in 2021. Despite the volatility caused by the pandemic and the extraordinary operational challenges it presented, we delivered very competitive performance. Our diversified business mix across personal and commercial banking, wealth management and capital markets enabled us to deliver solid, well-balanced results. And our ongoing investments in digital technology, product innovation and advisory capabilities contributed to enhanced customer loyalty.

We took targeted actions to drive long-term profitability with a disciplined approach to expense management and capital allocation, and made meaningful investments to position BMO for future growth. We're proud of our achievements in significantly improving our efficiency ratio, our return on equity and our positive operating leverage over the past three years. With continued outperformance in risk management and a CET1 Ratio of 13.7%, we are poised for growth and for increasing shareholder returns.

The tapering of monetary support and fiscal stimulus intended to ease economic hardship is an encouraging sign of the economic rebound. The global economy has shown remarkable resilience in an evolving landscape of pandemic-related restrictions – and so have our customers. With vaccination rates climbing, the Canadian and U.S. economies are experiencing their strongest growth in decades.

In Canada, small businesses – hardest hit by the pandemic – are expected to lead the next leg of the recovery. And by the fall of 2021, Canada had recovered the three million jobs lost in the spring of 2020, with women's labour force participation growth leading the way; while the U.S. economy also saw job numbers rebound and unemployment rates continue to decline.

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Despite the optimism, growth has also been tempered by the pandemic's effects on labour markets, global supply-chain disruptions and surging energy prices. Even with pent-up consumer demand and savings driving increased spending, many businesses are still struggling to get back to pre-pandemic levels of activity. However, as global economies show continued resilience, there is reason for optimism as we move forward.

North American bank

We have been steadily growing our presence in the United States since the acquisition of Harris Bank in 1984, with significant acceleration over the past decade. We've expanded the breadth of our commercial banking business on a national basis across 13 industry verticals while opening offices in Atlanta, Fort Worth, Los Angeles, Denver and Orlando since 2019; all while growing to rank among the top 10 commercial banking lenders on a North American basis. We have grown our U.S. capital markets business revenue by 47% since 2019 and expanded our digital banking capabilities to serve customers in all 50 U.S. states.

In 2021, our U.S. operating segment generated 36% of BMO's revenue, with approximately half of that revenue originating outside the U.S. Midwest. Our U.S. operations are our fastest growing segment and are now generating returns and efficiency on par with the rest of the bank, with the stage set for further growth as the economy rebounds. In 2021, BMO's U.S. footprint is no longer defined as the Midwest – it's the U.S.

Digitally enabled

BMO's Digital First strategy enables greater integration between business and technology, helping us provide our customers greater convenience and take advantage of the benefits of digital scale. As an early adopter of technology and innovation in banking, we see digital as far more than a customer channel; it powers everything we do to meet our customers' needs. We're well into the next stage of digitalization across BMO, and it's having a profound effect as an enabler of both growth and client loyalty.

We're embracing the future as a digital first bank, and we have aligned our solid technology foundation and significant technology investments with our digital agenda to drive efficiency, increase our speed to market and enhance the customer experience. This has led to faster customer growth, more secure data management, and the deployment of leading cloud, data and artificial intelligence capabilities.

In a digital world, customers expect a simple, secure and convenient digital experience. We operate with speed and use

data to deliver a personalized customer experience with easy-to-use tools and easy-to-access advice. We are well-recognized for our industry-leading customer innovations, such as BMO CashTrack, Online Banking for Business, BMO Payment Hub, and BMO adviceDirect.

Our significant fintech and technology partnerships have helped us enhance our competitive position, navigate disruption and drive business outcomes. We are leveraging digital adoption to expand the markets we serve across our lines of business with integrated technology partnerships. Digital is *how* we do business.

While the future of banking is digital, a customer-centric approach is key as we continue to advance our advisory services and delivery channels for emerging North American open banking frameworks. We know that an approach that prioritizes security, transparency and customer control will enable all financial players to serve the full range of banking needs seamlessly.

Purpose-driven: Growing the good across every aspect of ESG

Our Purpose is *why* we do business. We're committed to creating a more inclusive and equitable society, especially for groups facing systemic barriers, including Black, Latinx and Indigenous colleagues, customers and communities. Last year we announced BMO's bold new diversity, equity and inclusion strategy, **Zero Barriers to Inclusion 2025**, making significant commitments to drive greater access to social and economic opportunities.

Our purpose commitment to double the good



For a thriving economy

Increasing support for small businesses, and women entrepreneurs and Canadian Indigenous and military customers



For a sustainable future

Being our clients' lead partner in the transition to a net-zero world, delivering on our commitments to sustainable financing and responsible investing



For an inclusive society

Committing to zero barriers to inclusion, supporting equal access to opportunities for our colleagues and customers, and the communities we serve

BMO is building a high performance, digitally enabled bank that's ready for the future. Anchored in our Purpose, we are driven by our strategic priorities for growth, strengthened by our approach to sustainability and guided by our values to build a foundation of trust with our stakeholders and achieve leading customer loyalty.

See MD&A page 20 for a full description of our strategy.

Our strategic priorities

Our group strategic priorities align with and support our enterprise-wide strategy, positioning us well to drive competitive performance.

- > **World-class** client loyalty and growth
- > **Winning culture** driven by alignment, empowerment and recognition
- > **Digital first** for speed, efficiency and scale
- > **Simplify** work and **eliminate complexity**
- > **Superior management** of risk and **capital** performance

Just one year in, we've made impressive progress, launching successful programs focused on increasing equity, including BMO EMpower – our US\$5 billion five-year commitment aimed at breaking down barriers faced by minority businesses, communities and families in the United States. In Canada, we announced a \$12 billion commitment to finance affordable housing over 10 years, including support for financing affordable housing and infrastructure projects for Indigenous peoples, both on- and off-reserve. And we expanded BMO for Women – a dedicated enterprise-wide program that helps remove barriers to women's empowerment, while promoting an inclusive market – to a North America scale.

We take pride in serving as a leading catalyst for change. The challenge of climate change is one that impacts us all and gives urgency to our bold commitment to create a sustainable future. This past year, we declared our ambition *to be our clients' lead partner in the transition to a net-zero world* and laid out the steps that will drive our financing activities and operations in support of this transition. We introduced the *BMO Climate Institute* – a new multi-disciplinary organization harnessing science and analytics, powered by innovative technology and industry-leading expertise. And reinforcing our commitment to finance the climate transition, we joined the Net-Zero Banking Alliance. Convened by the United Nations and including six of Canada's largest banks, this alliance supports collaborative approaches between the public and private sectors to reach net zero by 2050.

We are proud to be consistently recognized as a global leader in sustainability. Included in the Dow Jones Sustainability Index for 16 years, we reached new heights in 2021 as one of only five companies in Canada – and only two North American banks – to be named to the DJSI World Index. In 2020, we were recognized by *The Wall Street Journal* as one of the 100 most sustainably managed companies in the world and the only bank ranked among the top 50. In addition, we have been named the most sustainable bank in North America by Corporate Knights for the past two years. This is sustainability in action, and this global recognition of our progress strengthens our resolve and confirms we are on the right path, enabling us to convene partners and drive solutions on the world stage.

Future-ready

We're investing in businesses well-positioned for growth, the technologies that enable them, and the people who will deliver our market-leading financial advice. It's all part of our ambition to foster a culture of winning and be the strongest, most competitive organization we can be. Our winning culture drives all of us at BMO to perform at our best; with greater alignment, empowerment and recognition than ever before. With culture fuelling our performance, it is also changing the way we work – and that will accelerate our progress for the long term.

With a winning culture and a competitive employee value proposition, we are well positioned to attract and retain top talent in this environment. Our reputation as an employer of choice and our focus on the strategic development of our people earned BMO Harris Bank recognition as one of the World's Best Employers of 2021 by *Forbes* magazine. We're proud of our globally respected brand and our award-winning culture, which is inspiring our people to live our Purpose, while achieving their goals.

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Energized by our winning culture, we are building greater synergy and scale to deliver winning performance. Team BMO has modelled these behaviours throughout the pandemic, as we adapted the way we work to support our customers. Our front-line employees, and those who support them, have delivered exceptional service, while other teams adjusted to remote work and never stopped serving our customers and communities.

In the face of challenging economic headwinds, we've maintained our commitment to help our customers make real financial progress and deliver on our purpose. As headwind becomes tailwind and we transition from a post-pandemic economic reopening to what comes next, we must use this moment to do our part to strengthen the financial lives of our customers and communities. By executing on our strategy and delivering the strong operational performance that leads to exceptional financial results, we will fuel our capability to grow the good for a thriving economy, a sustainable future, and a more inclusive society.



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