

Who We Are

BMO Financial Group is one of the largest financial services providers in North America, offering comprehensive retail banking, wealth management and investment banking products, services and solutions. Canadian clients are served through BMO Bank of Montreal, our personal and commercial banking business, and BMO Nesbitt Burns, one of Canada's leading full-service investment and wealth management firms. In the United States, clients are served through Harris, a major Midwest financial services organization with a network of community banks in the Chicago area and wealth management offices across the United States, as well as Harris Nesbitt, a leading mid-market investment and corporate bank. Our financial services professionals can provide access to any service our customers require across the entire enterprise. BMO Financial Group comprises three client operating groups: Personal and Commercial Client Group, Private Client Group and Investment Banking Group.

Our Financial Targets

BMO's overall governing objective, medium-term financial objectives and annual targets for selected important financial performance measures are set out in the adjacent chart. Although our success in achieving our overall governing objective is dependent on the relative performance of our peer group, we believe that we will deliver first-quartile total shareholder return by meeting our medium-term financial objectives of increasing EPS by an average of at least 10% per year over time and by earning an average annual ROE of 18% to 19% over time. Annual financial targets represent checkpoints in the achievement of our medium-term objectives, but they also reflect economic conditions prevailing at the time and may be influenced by results in base years used for comparison purposes. As such, in any particular year, our annual financial targets are likely to be higher or lower than our medium-term financial objectives.

Our operating philosophy is to increase revenues at rates higher than general economic growth rates, while limiting expense growth to improve our productivity ratio, over time. In achieving efficiencies in expense management, we balance current profitability with the need to invest for future growth. When possible, expense efficiencies partially or totally fund the costs of investing for the future.

In 2005, we achieved four of our five financial targets. In 2004, as in 2003, we achieved all five of our financial targets. In 2005, EPS increased by 5.0% (9.0% excluding changes in the general allowance in 2005 and 2004). In the two prior years, EPS grew by 28% and 29%, substantially above our medium-term financial objective of 10% growth. In those years, our cash productivity ratio improved by a total of 420 basis points. Our annual EPS target for 2005 was lower than in preceding years, in part due to the high growth rates achieved in 2003 and 2004, when provisions for credit losses were declining. However,

Our Vision

To be the top-performing financial services company in North America.

Our Governing Objective

To maximize the total return to BMO shareholders and generate, over time, first-quartile total shareholder return relative to our Canadian and North American peer groups.

Our Medium-Term Financial Objectives

To increase EPS by a minimum of 10% per year over time; to earn average annual ROE of between 18% and 19% over time; and to maintain a strong regulatory capital position, consistent with our peers.

2005 Financial Targets	2005 Financial Performance	Target Met	2006 Financial Targets
<ul style="list-style-type: none"> 3% to 8% EPS growth from a base of \$4.21 (excluding changes in the general allowance) 	<ul style="list-style-type: none"> EPS growth of 9.0%, on this basis, from \$4.21 to \$4.59 	✓	<ul style="list-style-type: none"> 5% to 10% EPS growth from a base of \$4.59* (excluding changes in the general allowance)
<ul style="list-style-type: none"> ROE of 17% to 18% 	<ul style="list-style-type: none"> ROE of 18.8% 	✓	<ul style="list-style-type: none"> ROE of 17% to 19%
<ul style="list-style-type: none"> Specific provision for credit losses of \$400 million or less 	<ul style="list-style-type: none"> Specific provision for credit losses of \$219 million 	✓	<ul style="list-style-type: none"> Specific provision for credit losses of \$400 million or less
<ul style="list-style-type: none"> Tier 1 Capital Ratio of at least 8.0% 	<ul style="list-style-type: none"> Tier 1 Capital Ratio of 10.25% 	✓	<ul style="list-style-type: none"> Tier 1 Capital Ratio of at least 8.0%
<ul style="list-style-type: none"> Improve cash productivity ratio by 150 to 200 bps 	<ul style="list-style-type: none"> Cash productivity ratio improved by 120 bps 	✗	<ul style="list-style-type: none"> Improve cash productivity ratio by 100 to 150 bps

*As explained on page 66, we expect that in 2006 we will be required to retroactively adopt new accounting rules for determining EPS, lowering EPS for 2005 by approximately \$0.06 per common share. On adoption, the \$4.59 base will be adjusted accordingly.

our productivity improvement target for 2005 was unchanged from the two prior years despite the progress made in 2003 and 2004. Although the cash productivity ratio improved by 120 basis points in 2005, the rate of improvement was below our target because of weak results in Investment Banking Group's interest-rate-sensitive businesses and our continuing to invest in our businesses to achieve future earnings growth.

Our targets for 2006 have been established in the context of our expectations for the economy in the year ahead, as detailed on page 31.

The "Our Financial Targets" section above and the following "Enterprise-Wide Strategy" and "Economic Developments" sections of this Annual Report 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 Annual Report for a discussion of such risks and uncertainties and the material factors and assumptions related to the statements set forth in such sections.