

It Has Been My Privilege

Fellow Shareholders,

This will come as no surprise to people who know me, but after 39 memorable years at BMO, seven of them as Chief Executive Officer, there's a part of me that's not ready to go – as I nonetheless will, on my scheduled retirement in April 2007.

This feeling has nothing to do with worries about what might happen to “your BMO” when I'm gone. I am leaving the place in excellent hands.

And in excellent shape. I take my leave in the sure and comforting knowledge that our balance sheet is robust, our businesses are healthy, successful and poised for higher growth, and the management team is savvy and deep. With earnings per share growth of 11%, a return on equity of 19.2% and a return on common shares of more than 24% in 2006, shareholder value is mounting.

No, the problem is the leaving itself. The simple truth is that I love BMO, and have from the day I arrived on the scene way back in Centennial Year, fresh out of the University of Toronto and clutching an English degree; and wondering what kind of a future someone like me could possibly have in a bank.

A pretty good one as it turned out, when my very first “real” job became a career that would span four exciting decades and, in the end, entrust me with one of the best jobs anybody could ever have. So, although I have never thought of it this way until now, I guess I would have to say that BMO loved me back.

I am not sure how many people think of corporations as “family” these days, and many who read this, especially the young, will be wondering what I am talking about. But that in fact is what BMO has become for me over the years, albeit a *second* family.

I am not going to romanticize anything, or use words like “one big happy,” but one of the great joys of being at BMO, also from the very beginning, has been spending time with colleagues.

For me there are few things more exciting or fulfilling than being surrounded by colleagues who are as passionate as I, and who share and live BMO values; and who make BMO's vision their own.

In bidding farewell, I want to thank every colleague who has risen to the BMO cause over the years.

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I may be the guy behind the reorganization and reinvention that made us the contender we are today, poised for higher growth and more aggressive shareholder value creation, but I suffer no illusions about who really drives this kind of success, and who will continue to drive it in hot pursuit of BMO's vision of becoming the top-performing financial services provider in North America. The true drivers of growth and success are the thousands of colleagues whose dedication to customers and day-by-day discipline set BMO apart from the rest.

Having never worked anywhere else (even my summer jobs were at the local BMO branch), I could be accused of a certain bias in this perspective. But after this past fall, when *Maclean's* named BMO one of the 100 best places to work in Canada and then the *Toronto Star* named us one of the 50 best places to work in the Greater Toronto Area, it does appear colleagues believe they are getting as much as they're giving.

I am equally buoyed by the fact that *Corporate Knights* magazine named BMO as Canada's Best Corporate Citizen in 2005. In one of the most profound transformations in the history of business, the idea of “corporate social responsibility” has gone from a dubious proposition to a core value of North American business, almost in the blink of an eye.



Tony Comper
President and Chief Executive Officer

This played to a long-standing BMO strength. As the definition of what it meant to be a good corporate citizen changed over the years, BMO people were right up there on the crest of the wave.

It was back in the early 1990s, for example, that we first began to list workplace equity and diversity as business priorities. I had just been appointed President, and at last I was in a position to find out if there really *were* legitimate reasons why so few women were advancing to senior positions at BMO. I launched an Employee Task Force on the Advancement of Women in the Bank, which went on to make corporate history and, quite literally, change the face of the enterprise.

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After months of exhaustive research and rigorous analysis, the Task Force reported back to me what I had long suspected – that women at BMO *were* as qualified as men in every possible way that could matter. By enabling women to reach their full potential, we would also enable the organization and investors to benefit from all of the brainpower we had at our disposal.

Creating a level playing field was not just the *right* thing to do, I would emphasize whenever I was out promoting the Task Force's recommendations; it was also the *smart* thing to do – the plain-good-business thing to do. As was adopting the recommendations of three subsequent task forces on the advancement of members of visible minorities and the employment of Aboriginal people and people with disabilities; once again we were working to our corporate advantage.

Interestingly – and this may say more about BMO people and their easy embrace of corporate social responsibility than anything else – whenever I talked about “not just the smart thing to do but the *right* thing to do,” I would see heads nodding in agreement.

I also inherited a BMO cultural tradition of placing a high value on education, as symbolized by our one-of-a-kind BMO Institute for Learning. Once again, the smart thing to do has turned out to be the right thing to do. This emphasis on

education goes well beyond meeting our own need to become as capable – and thus as competitive – as corporately possible. It has also meant substantial and sustained support for a better educated and therefore more successful society and future customer base.

With its venerable and respected place in the Canadian corporate pantheon, BMO has paved the way to many opportunities to contribute not only to education but also to the arts and very significant community causes in the creation and maintenance of a civil society.

In this, I have followed the lead of countless BMO colleagues who came before me, worked alongside me, and will carry on after me. In addition to being the best professionals in our business, my colleagues are engaged citizens and solid role models for a healthy and prosperous society.

BMO's commitment to community has been inextricably intertwined in recent years with an intense strategic focus on value creation. All of the steps we have been taking under my stewardship have been means to the end of maximizing shareholder value in this new century.

Looking back on what we have accomplished on behalf of shareholders during a time of tumultuous change and increasingly fierce and relentless competition, one thing above all else has ensured we survive and prosper: an old-fashioned willingness to make the tough decisions.

Those decisions were never tougher than they were in 1998, in the wake of the merger that never was. As many of my fellow Board members and leadership colleagues will recall, the challenges following the government's rejection of BMO's proposed merger with Royal Bank were numerous and daunting; and if not addressed, potentially quite lethal. They included doubts about whether we could continue to make it on our own in an industry that was now global.

It is not overdramatic to say we had reached our *moment of truth*.

Without going into details, which are etched on the brains of directors and colleagues who were here at the time, we did a groundbreaking analysis of the present and future value-generating capacity of each of our businesses. And what we discovered was that we were under-investing in businesses generating most of our economic profit while over-investing in businesses that were eating away our economic profit.

Once we had the facts, the next step was difficult but necessary. We undertook the most thoroughgoing reorganization in the history of the enterprise, setting a course expressly based on creating value for shareholders.

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The sailing was not always smooth. As we exited under-performing businesses, the resulting revenue hit put downward pressure on earnings, while the benefits from the redeployed resources did not immediately reach the bottom line.

We took a lot of heat for a period of time. But blessed with an experienced and perceptive Board of Directors like the one we had then and the one we have now – and equally blessed with a leadership team that took to change with a passion – we persevered and prevailed. And today, as I said, we are in excellent shape.

I take my leave in the sure and comforting knowledge that our balance sheet is robust, our businesses are healthy, successful and poised for higher growth, and the management team is savvy and deep.

We have a clear and sharp strategic focus on Canada and our chosen markets in the United States. We are investing in growing our core Canadian businesses and accelerating our expansion in the United States.

We have customer-friendly, multi-channel distribution networks in Canada and the U.S. Midwest, the result of substantial investments in recent years in branches, technology and integrated infrastructure.

We have a number of businesses with advantaged competitive positions in both countries. I am particularly proud of our leadership in commercial and in wealth management, both of which have huge potential for future growth.

We have the most integrated and well-positioned U.S. expansion platform in our Canadian peer group. With our most recent acquisition of First National Bank & Trust in central Indiana, scheduled for completion in January 2007, our Harris community banking stronghold will have a total of 234 branches and nearly 600 Harris-branded banking machines in the U.S. Midwest.

And, recognizing the importance of investing for the short, medium and *long* term, we are primed for growth in China. While our strategic focus over the past decade has been Canada and our chosen markets in the United States, and this focus will continue, we have been expanding our presence in China in recent years, culminating in a number of business-building initiatives in 2006. These strategic investments have a negligible impact on returns to shareholders today, but we are optimistic about prospects over the long term.

In China, as in our Canada-U.S. base, growth and earnings stability will flow from BMO's solid foundations – the deep and long-term customer and community relationships we are nurturing and our long-standing business strengths. Chief among these strengths is our leadership in credit risk management, a competitive advantage we have developed for over two decades and will continue to hone.

As my time at the helm of Canada's first and oldest bank draws to a close, I applaud the Board's choice of Bill Downe as my successor. Bill has a sophisticated understanding of the next steps BMO must take on behalf of customers and shareholders on our journey toward top performance. I wish him the very best.

Let me thank one last time *all* BMO colleagues, directors and customers for your support. It has been a great privilege to lead BMO Financial Group into the 21st Century, and a very great pleasure as well. I will continue in spirit on BMO's value-creating journey filled with immense gratitude – and immense faith in the future success of this enduring enterprise.



Tony Comper

President and Chief Executive Officer