

Financial Performance and Condition at a Glance

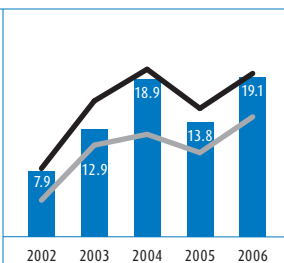
MD&A

Our Performance

Total Shareholder Return (TSR)

- BMO's average annual five-year TSR of 19.1% improved from 13.8% a year ago and was better than the average return from the financial services industry and the broader market indices.
- BMO's one-year TSR of 24.1% in 2006 was the second best of the Canadian peer group. The result improved our five-year TSR and marks returns of more than 15% in four of the past five years.

Further details are provided on page 31.



Peer Group Comparison

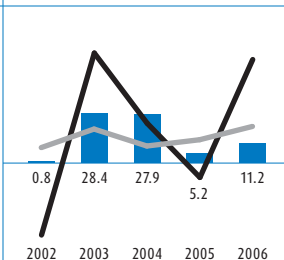
Five-Year TSR (%)

- BMO's average annual five-year TSR of 19.1% was below the Canadian peer group average of 19.6% but substantially above the North American peer group average of 14.4%.
- Our strong one-year TSR narrowed the gap to the Canadian peer group average and improved our advantage over the North American peer group average.

Earnings per Share (EPS) Growth

- EPS rose 11.2% to \$5.15 in 2006, the fourth consecutive year of record earnings. The increase was driven by business growth, low and stable provisions for credit losses and a lower effective tax rate.
- Excluding changes in the general allowance for credit losses in 2006 and 2005, EPS grew 11.6%, exceeding our 2006 target of 5% to 10% growth on this basis.

Further details are provided on page 32.



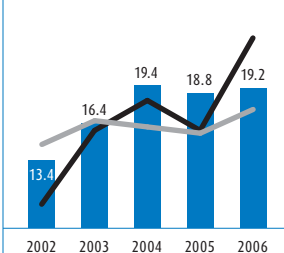
EPS Growth (%)

- BMO's EPS growth of 11.2% in 2006 improved but was below a Canadian peer group average of 59.2% that was elevated by the impact of litigation provisions in 2005 and a significant gain on the sale of a business in 2006. These same factors contributed to a strong North American peer group average of 21.0%.

Return on Equity (ROE)

- ROE of 19.2% was up from 18.8% in 2005 and was the second highest in the past 20 years, and above our 2006 target of 17% to 19%. In 2007, we are targeting ROE of 18% to 20%.
- We increased our medium-term target to 18% to 20% ROE from 18% to 19% ROE at the end of 2006.

Further details are provided on page 33.



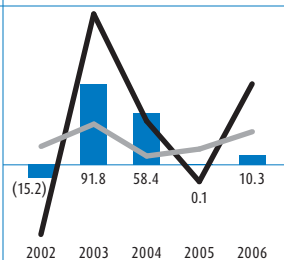
ROE (%)

- ROE of 19.2% in 2006 was below the Canadian peer group average of 23.2% but above the North American peer group average of 17.5%.
- BMO has earned ROE of more than 13% in each of the past 17 years, the only major North American bank with this record of earnings consistency.

Net Economic Profit (NEP) Growth

- NEP, a measure of added economic value, grew 10.3% to a record \$1,230 million.
- Results in Private Client Group and Corporate Services drove the improvement, as the other operating groups were allocated higher capital in 2006.

Further details are provided on page 33.



NEP Growth (%)

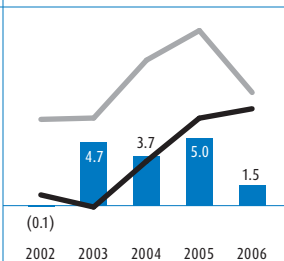
- NEP growth of 10.3% in 2006 was below the Canadian peer group average of 92.1% and the North American peer group average of 37.7%. The averages were favourably affected by the 2005 litigation provisions and the 2006 gain on sale of a business.

Canadian peer group NEP growth for 2002 (~104%) and 2003 (3,112%) is not to scale.

Revenue Growth

- Revenue* increased \$154 million or 1.5% in 2006, but increased 5.9% excluding the effects of the sale of Harrisdirect and the weaker U.S. dollar. On this basis, revenue in each of our operating groups improved, with most of this improvement reflected in P&C Canada and Private Client Group.

Further details are provided on page 36.



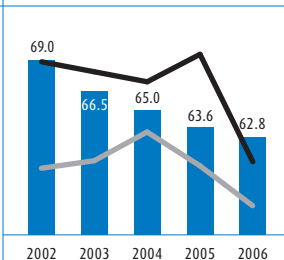
Revenue Growth (%)

- Revenue growth of 1.5% in 2006 was below the Canadian peer group average of 7.2% and the strong North American peer group average of 8.4%. Excluding the sale of Harrisdirect and the impact of the weaker U.S. dollar, BMO's revenue growth was 5.9%.

Expense-to-Revenue Ratio (Productivity Ratio)

- The productivity ratio improved 77 basis points to 62.8% in 2006. The cash productivity ratio improved 25 basis points to 62.4%, following 538 basis points of total improvement in the three previous years. We had targeted an improvement of 100 to 150 basis points in the cash productivity ratio in 2006.

Further details are provided on page 40.



Expense-to-Revenue Ratio (%)

- BMO's productivity ratio of 62.8% was worse than the Canadian peer group average of 60.8% and the North American peer group average of 57.3%.
- BMO is targeting to improve the cash productivity ratio by 100-150 bps in 2007.

*Revenue and income taxes are reported in the MD&A on a taxable equivalent basis. See pages 34, 36 and 41.

■ BMO Financial Group
 — Canadian peer group average
 — North American peer group average

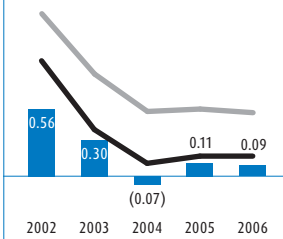
See page 26 for further comments on peer group comparisons.
 Certain prior year data has been restated.
 See Note 1 on page 26.

Our Performance

Credit Losses

- Provisions for credit losses were low and stable, at \$176 million. Specific provisions were \$211 million and there was a \$35 million reduction in the general allowance, both comparable to a year ago.
- The provision represented 9 basis points of average net loans and acceptances, down from 11 basis points in 2005.

Further details are provided on pages 39 and 68.



Peer Group Comparison

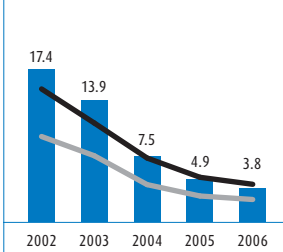
Provision for Credit Losses as a % of Average Net Loans and Acceptances

- BMO's provision for credit losses of 0.09% of average net loans and acceptances was better than the Canadian peer group average of 0.17% and the North American peer group average of 0.53%.
- BMO's credit loss experience has been better than the average of the Canadian peer group in 14 of the past 15 years.

Impaired Loans

- Gross impaired loans and acceptances were \$666 million, compared with \$804 million in 2005, and represented 3.8% of equity and allowances for credit losses, down from 4.9% a year ago.
- Formations of new impaired loans and acceptances, a key driver of credit provisions, were \$420 million, in line with a year ago, as credit conditions remained favourable.

Further details are provided on pages 39 and 68.



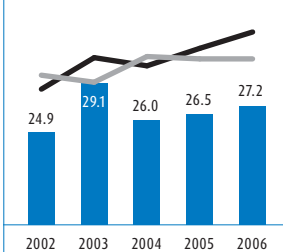
Gross Impaired Loans and Acceptances as a % of Equity and Allowances for Credit Losses

- BMO's ratio of 3.8% was better than the Canadian peer group average of 4.3% but worse than the North American peer group average of 2.6%.
- BMO's ratio has approximated the Canadian average but has been higher than the North American average in recent years.

Cash and Securities-to-Total Assets

- The cash and securities-to-total assets ratio was up slightly from a year ago at 27.2%.
- Liquidity remains sound and continues to be supported by broad diversification of deposits.

Further details are provided on pages 71 and 72.



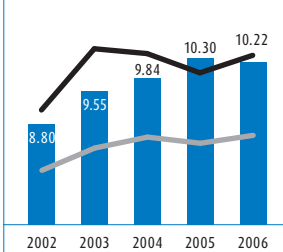
Cash and Securities as a % of Total Assets (%)

- BMO's liquidity ratio of 27.2% was below the Canadian peer group average of 33.5% and the North American peer group average of 31.2%.
- Our liquidity ratio was higher than a year ago and remains at an acceptable level.

Capital Adequacy

- The Tier 1 Capital Ratio was 10.22%, down slightly from 10.30% last year but above our minimum target of 8.0%.
- The Total Capital Ratio was 11.76%, down slightly from 11.82% in 2005.
- BMO has \$3.6 billion of excess capital relative to our targeted minimum Tier 1 Capital Ratio.

Further details are provided on pages 58 and 59.



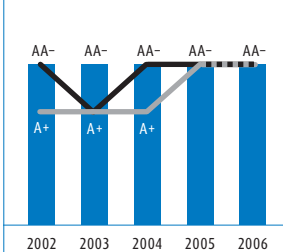
Tier 1 Capital Ratio (%)

- Our Tier 1 Capital Ratio at 10.22% was slightly below the Canadian peer group average of 10.36%.
- On a U.S. regulatory basis, our Tier 1 Capital Ratio was 9.93% and was above the North American peer group average of 8.53%.

Credit Rating (Standard & Poor's)

- Our credit rating, as measured by Standard & Poor's (S&P) senior debt ratings, remained at AA-, matching two competitors and exceeding the rating of the other three major Canadian banks.
- S&P's ratings outlook on BMO remains stable.

Further details are provided on page 59.



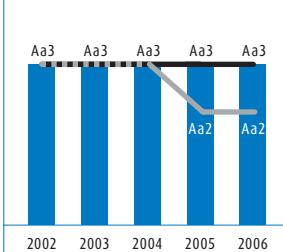
Credit Rating (Standard & Poor's)

- BMO's credit rating of AA-, as measured by S&P's senior debt ratings, was in the upper half of the Canadian peer group, with two of the banks in our peer group rated as highly as BMO and three rated lower. BMO's rating was consistent with the median rating of the North American peer group.

Credit Rating (Moody's)

- Our credit rating, as measured by Moody's senior debt ratings, remained at Aa3, slightly below the highest-rated Canadian bank and consistent with the highest-rated of the remaining major Canadian banks.
- Moody's ratings outlook on BMO remains stable.

Further details are provided on page 59.



Credit Rating (Moody's)

- BMO's credit rating of Aa3, as measured by Moody's senior debt ratings, was comparable to the median of the Canadian peer group but slightly higher than the North American peer group median.

■ BMO Financial Group
 — Canadian peer group average
 — North American peer group average

See page 26 for further comments on peer group comparisons.
 Certain prior year data has been restated.
 See Note 1 on page 26.

Canadian and North American Peer Group Comparisons

	2006					2005 (Note 1)					Five-Year Average (Note 1)				
	BMO	Rank of six	Cdn. bank avg.	N.A. bank avg.	N.A. bank q'tile	BMO	Rank of six	Cdn. bank avg.	N.A. bank avg.	N.A. bank q'tile	BMO	Rank of six	Cdn. bank avg.	N.A. bank avg.	N.A. bank q'tile
Financial Performance Measures (%)															
Five-year total shareholder return (TSR)	19.1	4	19.6	14.4	1	13.8	4	15.4	10.1	1	19.1	4	19.6	14.4	1
Diluted earnings per share (EPS) growth	11.2	5	59.2	21.0	3	5.2	4	(8.2)	13.4	3	14.1	2	11.5	14.4	3
Return on common shareholders' equity (ROE)	19.2	6	23.2	17.5	3	18.8	3	15.8	15.6	2	17.4	4	16.6	16.1	2
Net economic profit (NEP) growth	10.3	5	92.1	37.7	3	0.1	5	(19.6)	17.9	3	23.2	3	23.4	26.0	2
Revenue growth	1.5	5	7.2	8.4	4	5.0	5	6.5	13.0	3	2.9	4	3.5	9.0	3
Expense-to-revenue (productivity) ratio	62.8	4	60.8	57.3	4	63.6	2	69.4	60.5	3	65.4	3	66.9	60.4	3
Provision for credit losses as a % of average net loans and acceptances	0.09	1	0.17	0.53	1	0.11	3	0.17	0.56	1	0.20	1	0.36	0.77	1
Financial Condition Measures (%)															
Gross impaired loans and acceptances as a % of equity and allowances for credit losses	3.8	3	4.3	2.6	3	4.9	4	5.1	3.0	4	9.5	5	8.6	5.5	4
Liquidity ratio	27.2	6	33.5	31.2	3	26.5	6	32.1	31.2	3	26.8	6	31.2	30.6	3
Tier 1 Capital Ratio – Canadian	10.22	3	10.36			10.30	2	9.96			9.74	4	10.07		
Tier 1 Capital Ratio – U.S.	9.93			8.53	1	9.96			8.35	1	9.36			8.25	1
Credit rating – Standard & Poor's ^{®5} – Moody's ^{®6}	AA–	1	AA–	AA–	1	AA–	1	AA–	AA–	1	AA–	1	AA–	A+	1
	Aa3	2	Aa3	Aa2	2	Aa3	2	Aa3	Aa2	2	Aa3	2	Aa3	Aa3	2

The Canadian peer group averages are based on the performance of Canada's six largest banks: BMO Financial Group, Canadian Imperial Bank of Commerce, National Bank of Canada, RBC Financial Group, Scotiabank and TD Bank Financial Group. The North American peer group averages are based on the performance of North America's largest banks, consisting of 15 banks in North America having shareholders' equity that is at least 75% as large as BMO's. It includes the Canadian peer group, except National Bank of Canada, as well as Bank of America Corporation, Citigroup Inc., J.P. Morgan Chase & Co., KeyCorp, National City Corporation, The PNC Financial Services Group Inc., SunTrust Banks Inc., U.S. Bancorp, Wachovia Corporation, and Wells Fargo & Company.

Results are as at or for the years ended October 31 for Canadian banks and as at or for the years ended September 30 for U.S. banks, as appropriate.

Note 1. Certain BMO and peer group prior year data has been restated to conform with the current year's basis of presentation.

Canadian Peer Group Comparison

BMO's performance in 2006 improved from 2005 on 8 of our 11 key financial performance and condition measures and was unchanged on 1. These measures are considered key because we monitor our performance on them relative to our peer groups. In 2005, our performance improved on 5 of the 11 measures and was unchanged on another.

Significant litigation provisions recorded by certain of our Canadian peers affected the peer group averages in 2005, resulting in higher peer group average growth rates in 2006. A large gain on the sale of a business by one of our Canadian peers improved the peer group averages in 2006 and also raised their average growth rates. The foregoing factors contributed to very strong peer group measures in 2006. As such, notwithstanding that 8 of BMO's 11 key financial performance measures improved in 2006, our performance on these measures relative to our Canadian peers deteriorated from 2005.

In 2006, our performance was better than the Canadian peer group average on 1 of 7 financial performance measures, compared with above-average performance on 5 of 7 measures in 2005. Our rankings in 2006 improved on 1 of the 7 financial performance measures and were unchanged on 3 others. We were better than average on 1 of 4 financial condition measures in 2006, average on 1 and below average on 2. Our ranking improved on 1 measure, deteriorated on 1 and was unchanged on the other 2.

Our 2006 performance was better than our five-year average performance on 6 of 11 measures and was consistent with our average on another 2. Our five-year average results were better than the comparable Canadian peer group average on 4 of 7 financial performance measures but were worse than average on 3 of 4 financial condition measures.

North American Peer Group Comparison

Our 2006 rankings in the North American peer group slipped from last year. Our quartile ranking was unchanged on 4 financial performance measures and declined on the remaining 3.

Our performance was better than average on 3 of 7 financial performance measures in 2006, consistent with our performance in 2005. Our financial condition was better than average on 1 of 4 measures in 2006 and average on another, again consistent with our performance in 2005.

Our five-year average performance was better than the North American peer group average on 3 of 7 financial performance measures and on 1 of 4 financial condition measures.

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 28 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.