

Value Measures

Highlights

- We surpassed four of our five performance targets in 2006, as in 2005, after meeting or surpassing all five in 2004 and 2003.
- Total Shareholder Return (TSR) – BMO investors have earned an average annual return of 19.1% over the past five years, earning 24.1% in 2006 and double-digit returns in four of the past five years.
- Earnings per share (EPS) growth – EPS grew to record levels for the fourth consecutive year, increasing 11.2% to \$5.15 in 2006. EPS has increased at a five-year average annual compound rate of 14.1%.
- Net income increased 11% to \$2,663 million. The \$267 million increase in net income was attributable to improved revenues from business growth, low and stable provisions for credit losses and lower income taxes.
- Return on Equity (ROE) – BMO's ROE was 19.2% in 2006, the second-highest in the past 20 years, and has exceeded 13% for 17 consecutive years, distinguishing BMO as the only major bank in North America with this level of earnings consistency.
- Net Economic Profit (NEP) Growth – NEP increased \$114 million or 10% to a record \$1,230 million, driven by higher earnings.
- The quarterly dividend paid on our common shares increased three times during the year, growing by a total of 35% from the fourth quarter a year ago to \$0.62 per share in the fourth quarter of 2006. Annual dividends paid have increased at a rate of 14.3% over the past five years, matching the growth in earnings per share.

Total Shareholder Return

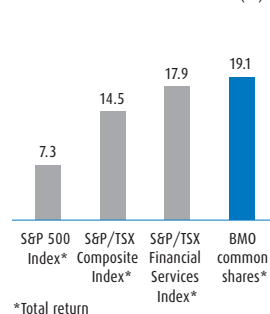
BMO's governing objective is to maximize the total return to our shareholders and generate, over time, first-quartile total shareholder return (TSR) relative to our Canadian and North American peer groups.

The five-year average annual TSR is a key measure of shareholder value and is the most important of our financial performance and condition measures, since it assesses our success in achieving our governing objective of maximizing return to shareholders. Over the past five years, shareholders have earned an average annual TSR of 19.1% on their investment in BMO common shares. This exceeds the 14.5% average annual return for the S&P/TSX Composite Total Return Index and the 17.9% return for the S&P/TSX Financial Services Total Return Index. The table below summarizes dividends paid on BMO common shares over the past five years and the appreciation in BMO's share price. An investment of \$1,000 in Bank of Montreal common shares made at the beginning of fiscal 2002 would have been worth \$2,394 at October 31, 2006, assuming reinvestment of dividends, for a total return of 139.4%. Dividends paid over the five-year period have increased at an average annual compound rate of 14.3%. Dividends paid increased in three of four quarters in 2006, rising 35% from \$0.46 per share in the fourth quarter of 2005 to \$0.62 per share in the fourth quarter of 2006. Dividends paid on each common share increased 18% in 2006 to \$2.13. On November 28, 2006, the Board raised the quarterly dividend by 4.8% to \$0.65 per share.

The average annual TSR of 19.1% for the most recent five-year period increased from the 13.8% average annual return for the five years ended October 31, 2005. The averages are affected by the one-year TSRs included in the calculations. The improvement reflected the removal of the -1.2% return earned in 2001 from the averaging calculation and its replacement with the 24.1% return earned in fiscal 2006.

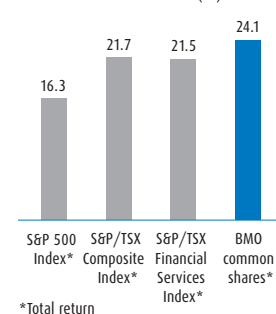
The **five-year average annual total shareholder return (TSR)** represents the average annual total return earned on an investment in BMO common shares made at the beginning of a five-year period. The return includes the change in share price and assumes that dividends received were reinvested in additional common shares. The one-year TSR also assumes that dividends were reinvested in additional shares.

Five-Year Average Annual Total Shareholder Return (%)



Our returns to shareholders have outperformed the broad market indices over the past five years.

One-Year Total Shareholder Return (%)



Our one-year return of 24.1% exceeded the benchmark returns in a strong market.

The 24.1% TSR earned in fiscal 2006 was higher than the returns on comparable market indices in a year of strong stock market returns. BMO's TSR has exceeded 15% in four of the past five fiscal years and BMO's average annual TSR over the past 10 fiscal years is 16.7%.

Pages 24 and 26 provide further comment on total shareholder return and include peer group comparisons.

Total Shareholder Return

For the year ended October 31	2006	2005	2004	2003	2002	Five-year CAGR ⁽¹⁾
Closing market price per common share (\$)	69.45	57.81	57.55	49.33	38.10	15.5
Dividends paid (\$ per share)	2.13	1.80	1.50	1.29	1.18	14.3
Dividends paid (%)	3.7	3.1	3.0	3.4	3.5	
Increase in share price (%)	20.1	0.5	16.7	29.5	12.5	
Total annual shareholder return (%)	24.1	3.7	20.0	33.4	16.2	

Total annual shareholder return assumes reinvestment of quarterly dividends and therefore does not equal the sum of dividend and share price returns in the table.

(1) Compound annual growth rate (CAGR).

Earnings per Share Growth

The year-over-year percentage change in earnings per share (EPS) is our key measure for analyzing earnings growth. All references to EPS are to diluted EPS, unless indicated otherwise.

EPS was a record \$5.15, up 11.2% from \$4.63 in 2005. Cash EPS was \$5.23, up 9.4% from \$4.78 a year ago. Excluding a \$35 million reduction in the general allowance for credit losses in 2006 and a \$40 million reduction in 2005, EPS rose 11.6% from \$4.58 to \$5.11. The 11.6% growth rate exceeded our annual target of 5% to 10% growth on this basis. In 2007, we are again targeting EPS growth of 5% to 10%, from a base of \$5.11, excluding any change in the general allowance. Our targets for 2007, as in prior years, have been established in the context of our expectations for the economy, as outlined in our economic outlook for 2007 on page 30.

Our five-year compound average annual EPS growth rate was 14.1%, above our medium-term objective of 10%, as EPS increased to \$5.15 in 2006 from \$2.66 in 2001. EPS in 2001 was significantly affected by specific provisions for credit losses, which totalled \$880 million, the highest in the current credit cycle and \$669 million higher than in 2006. However, results in 2001 did benefit from certain sales and other items that added \$93 million to net income.

Net income was \$2,663 million, up 11% from \$2,396 million a year ago. The \$267 million increase in net income was primarily attributable to improved revenues from business growth, low and stable provisions for credit losses and lower income taxes. This year marked BMO's fourth consecutive year of record net income.

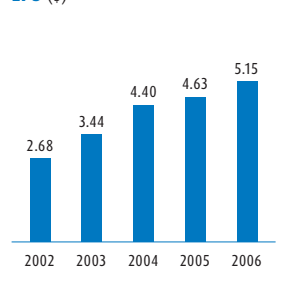
Each of our three operating groups earned record net income, as in 2005, although results declined in P&C U.S. Personal and Commercial Banking (P&C) net income rose \$57 million or 5% from a year ago. The P&C group represents the sum of our two retail and business banking operating segments, Personal and Commercial Banking Canada (P&C Canada) and Personal and Commercial Banking U.S. (P&C U.S.). P&C Canada net income rose by \$67 million or 6%, or by \$24 million and 2% excluding certain items that increased earnings in both years, which are discussed in the operating group review on page 46. The improvement was driven by higher revenue from volume growth, partially offset by increases in expenses and provisions for credit losses. P&C U.S. net income declined \$10 million or 7%, but excluding the impact of the weaker U.S. dollar was \$1 million lower than in 2005, as we continued to invest in our businesses.

Private Client Group (PCG) net income was up \$40 million or 13%. PCG's results in 2005 reflected gains on the sales of *Harrisdirect* and TSX common shares, which are discussed in the operating group review on page 51. Adjusted for the impact of those items, net income increased \$74 million or 27%, primarily due to strong growth in operating revenues. Investment Banking Group (IBG) net income rose \$7 million or 1%. IBG's results in 2005 included VIE revenues, as discussed in the operating group review on page 54. Excluding this item, IBG's net income increased \$44 million or 5%, primarily due to income tax initiatives, improved trading revenues and higher merger and acquisition fees. Corporate Services net income increased \$163 million, primarily due to low income taxes in 2006 as well as reductions in expenses and provisions for credit losses, largely recorded in Corporate Services under BMO's expected loss provisioning methodology, which is explained in the operating group review on page 56.

Revenue on a taxable equivalent basis, which is explained on pages 34 and 36, increased \$154 million or 2% to \$10,112 million. Revenue growth was lowered \$236 million by the net impact of

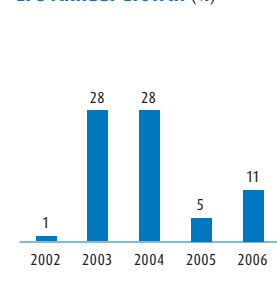
Earnings per share (EPS) is calculated by dividing net income, after deduction of preferred dividends, by the average number of common shares outstanding. Diluted EPS, which is our basis for measuring performance, adjusts for possible conversions of financial instruments into common shares if those conversions would lower EPS, and is more fully explained in Note 24 on page 125 of the financial statements.

EPS (\$)



EPS in 2006 rose 11% from a then-record \$4.63 in 2005.

EPS Annual Growth (%)



Business growth, favourable income taxes and sustained credit performance contributed to EPS growth.

the sale of *Harrisdirect* and businesses acquired by P&C U.S., as explained on page 35. Revenue growth was further reduced by \$170 million as a result of the weaker U.S. dollar. Adjusted for the sale of *Harrisdirect* and the weaker U.S. dollar, revenue growth was 6%. Revenue increased 6% in P&C Canada largely due to volume growth, a gain on the investment in MasterCard[®] Incorporated on its initial public offering (IPO) and an increase in customer loyalty card reserves in 2005, largely offset by reduced net interest margin. P&C U.S. revenue increased 1%, but increased 8% excluding the effect of the weaker U.S. dollar, largely due to acquisitions, new branches and loan growth, partially offset by reduced net interest margins.

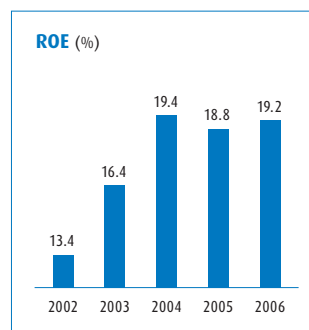
PCG revenues fell 7%, but rose 8% excluding the effects of having sold *Harrisdirect* and gains on asset sales in 2005. There were increases in mutual fund fees, direct investing commissions and net interest earned on term deposits. IBG revenues increased 1%, but rose 4% excluding the impact of the weaker U.S. dollar. There were significant increases in trading revenues, particularly commodity derivatives trading revenues, and in merger and acquisition fees. These factors were partially offset by reduced net interest income in a challenging interest rate environment and by VIE revenues in 2005. Total revenue growth is discussed further on page 36.

Provisions for credit losses totalled \$176 million, consisting of \$211 million of specific provisions and a \$35 million reduction in the general allowance for credit losses. These amounts were relatively unchanged from 2005. The provision for credit losses is discussed further on page 39.

Non-interest expense increased \$21 million to \$6,353 million. Expense growth was lowered \$214 million by the net impact of the sale of *Harrisdirect* and businesses acquired by P&C U.S., and by \$112 million as a result of the weaker U.S. dollar. Adjusted for the sale of *Harrisdirect* and the weaker U.S. dollar, expense growth was 6%. Expenses were affected by growth in our sales forces in P&C Canada and PCG and by higher performance-based compensation costs, which were in line with improved results in particular businesses. Non-interest expense is discussed further on page 40.

Return on Equity

Return on equity (ROE) is another key value measure. We achieved an ROE of 19.2% in 2006, up from 18.8% in 2005. The improvement was attributable to the \$267 million increase in net income, partially offset by the effect of a \$1.1 billion increase in average common shareholders' equity. BMO has now generated an ROE of more than 13% in each of the past 17 years, and is the only major North American bank to meet this test of earnings consistency. The 19.2% return was slightly above our annual target of 17% to 19% because of higher net income earned in the year, and was above our medium-term objective in 2006 of achieving an average annual 18% to 19% ROE, over time. We have now increased our medium-term ROE objective to 18% to 20%, reflecting our track record of past years and our governing objective of generating first-quartile total shareholder return. In 2007, we are targeting ROE of 18% to 20%. Table 3 on page 79 includes ROE statistics for the past 10 years. Pages 24 and 26 provide further comment on ROE and include peer group comparisons.



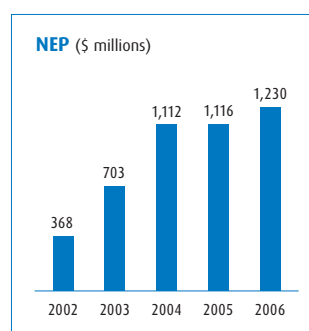
Our ROE in 2006 exceeded our 17% to 19% target and increased despite higher equity.

Return on common shareholders' equity (ROE)

is calculated as net income, less preferred dividends, as a percentage of average common shareholders' equity. Common shareholders' equity is comprised of common share capital, contributed surplus, net unrealized foreign exchange gain (loss) and retained earnings.

Net Economic Profit Growth

The last of our four key value measures is net economic profit (NEP) growth. NEP was a record \$1,230 million, up \$114 million or 10% from the prior year. The improvement was due to higher cash net income, which more than offset a higher charge for capital associated with strong growth in shareholders' equity. Growth in NEP was driven by improved returns in Corporate Services and Private Client Group. Personal and Commercial Banking and Investment Banking Group earnings rose in 2006 but at rates that were low relative to their increased allocated capital. Pages 24 and 26 provide further comment on NEP growth and include peer group comparisons.



Our NEP in 2006 was at record levels.

Net economic profit (NEP)

represents cash net income available to common shareholders, less a charge for capital. NEP is an effective measure of economic value added. NEP is a non-GAAP measure. See page 34.

Net Economic Profit (\$ millions, except as noted)

For the year ended October 31	2006	2005	2004	2003	2002
Net income available to common shareholders	2,633	2,366	2,264	1,743	1,338
After-tax impact of the amortization of intangible assets	36	74	78	79	75
Cash net income available to common shareholders	2,669	2,440	2,342	1,822	1,413
Charge for capital*	(1,439)	(1,324)	(1,230)	(1,119)	(1,045)
Net economic profit	1,230	1,116	1,112	703	368
Net economic profit growth (%)	10	–	58	92	(15)
*Charge for capital					
Average common shareholders' equity	13,703	12,577	11,696	10,646	9,973
Cost of capital (%)	10.5	10.5	10.5	10.5	10.5
Charge for capital	(1,439)	(1,324)	(1,230)	(1,119)	(1,045)