

Who We Are

Established in 1817 as Bank of Montreal, BMO Financial Group is a highly diversified North American financial services organization. With total assets of \$320 billion and almost 35,000 employees, BMO provides a broad range of retail banking, wealth management and investment banking products and solutions. We serve clients across Canada through our Canadian retail arm, BMO Bank of Montreal, and through our wealth management businesses, BMO Nesbitt Burns, BMO InvestorLine and BMO Harris Private Banking. BMO Capital Markets, our North American investment and corporate banking division, provides a full suite of financial products and services to our North American and international clients. In the United States, BMO serves clients through Chicago-based Harris, an integrated financial services organization that provides more than one million personal and business clients with banking and investment services. BMO Financial Group comprises three operating groups: Personal and Commercial Banking, Private Client Group and Investment Banking Group.

Our Financial Targets

BMO's overall governing objective and annual targets for selected important financial performance measures are set out in the adjacent chart. Although our success in achieving our governing objective of delivering first-quartile total shareholder return 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 20% over time (previously 18% to 19%). 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 may 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.

In 2006, as in 2005, we achieved four of our five financial targets, as our productivity improvement fell short of our target in both years. We improved the cash productivity ratio by 25 basis points in 2006 and by 538 basis points over the three previous years. In 2004, as in 2003, we achieved all five of our financial targets. Our targets for 2007 have been established in the context of our expectations for the economy in the year ahead, as detailed on page 30.

Why Invest in BMO?

As at or for the periods ended October 31, 2006 (%)

	1-year	5-year	10-year
Compound annual total shareholder return	24.1	19.1	16.7
Compound annual earnings per share growth	11.2	14.1	9.6
Average annual ROE	19.2	17.4	16.5
Compound annual growth in annual dividends declared per share	22.2	15.1	11.8
Dividend yield at October 31, 2006	3.6	na	na

na – not applicable

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 20% over time; and to maintain a strong regulatory capital position, consistent with our peers.

2006 Financial Targets	2006 Financial Performance	Target Met	2007 Financial Targets
• 5% to 10% EPS growth from a base of \$4.58* (excluding changes in the general allowance)	• EPS growth of 11.6%, on this basis, from \$4.58 to \$5.11	✓	• 5% to 10% EPS growth from a base of \$5.11 (excluding changes in the general allowance)
• ROE of 17% to 19%	• ROE of 19.2%	✓	• ROE of 18% to 20%
• Specific provision for credit losses of \$400 million or less	• Specific provision for credit losses of \$211 million	✓	• Specific provision for credit losses of \$400 million or less
• Tier 1 Capital Ratio of at least 8.0%	• Tier 1 Capital Ratio of 10.22%	✓	• See Enterprise-Wide Capital Management on page 58
• Improve cash productivity ratio by 100 to 150 bps	• Cash productivity ratio improved by 25 bps	✗	• Improve cash productivity ratio by 100 to 150 bps

*Restated from \$4.59 due to the retroactive application of a change in accounting for stock-based compensation as discussed on page 64.

The Our Financial Targets section above contains 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.