

Making It Happen

Our **vision** is to be the top-performing financial services company in North America.

Our **strategy** is to grow our core Canadian businesses and accelerate our expansion in the United States.

We pursue our vision and realize our strategy through our steadfast commitment to our **core values**:

- We care about our customers, shareholders, communities and each other.
- We draw our strength from the diversity of our people and our businesses.
- We insist upon respect for everyone and encourage all to have a voice.
- We keep our promises and stand accountable for our every action.
- We share information, learn and innovate to create consistently superior customer experiences.

2006 Strategic Priorities	2006 Initiatives and Accomplishments
Achieve financial targets with a particular focus on revenue growth to improve productivity (see pages 6, 7, 8, 23 and 40)	<ul style="list-style-type: none"> • Annual financial targets for ROE, EPS growth, credit losses and Tier 1 capital were achieved. The cash productivity ratio improved by 25 basis points, but was below our target because of continued investment in our retail businesses and a change in our business mix.
Drive revenue growth by providing a superior client experience, earning a larger share of customers' business (see pages 7, 8, 45, 47 and 50)	<ul style="list-style-type: none"> • Achieved revenue growth of 1.5%. Excluding the effects of the weaker U.S. dollar and the sale of <i>Harrisdirect</i> late in 2005, revenue grew 5.9%. • Acquired bcpbank Canada in December 2006.
Continue to improve U.S. performance (see pages 8, 46, 50 and 53)	<ul style="list-style-type: none"> • U.S. revenues decreased US\$60 million and net income improved by US\$2 million. Excluding <i>Harrisdirect's</i> operations and the gain on its sale as well as variable interest entity (VIE) revenues in 2005, revenues increased US\$173 million and net income improved by US\$22 million, as both loan growth and improved deposit spreads contributed to performance.
Accelerate growth in the United States both organically and through acquisitions (see pages 8 and 46)	<ul style="list-style-type: none"> • Opened our 200th branch in the Chicago and Northwest Indiana market. • Acquired businesses contributed US\$17 million to revenue growth. Excluding the operating revenue and sale of <i>Harrisdirect</i> and VIE revenues in the prior year, organic growth contributed US\$156 million. • Completed the purchase of Villa Park Trust and Savings Bank and entered into an agreement to acquire First National Bank & Trust, furthering our expansion into the Indiana market.
Grow net income in Canada (see pages 8, 44, 49 and 52)	<ul style="list-style-type: none"> • Net income in Canada increased \$345 million, driven by growth in each operating group.
Build a high-performance organization by developing our people, living our values and being an employer of choice (see pages 8 and 19)	<ul style="list-style-type: none"> • For the fifth consecutive year, BMO was the only major Canadian bank to be included in the prestigious <i>Maclean's</i> list of Canada's "Top 100 Employers." BMO was also the top-ranked Canadian firm in <i>Training</i> magazine's "Training Top 100."
Maintain our world-class foundation of leading governance, sound risk management, productive systems and excellent after-sales service (see pages 2, 7, 16, 17 and 66)	<ul style="list-style-type: none"> • Implemented end-to-end reviews of key enterprise processes and explored opportunities to leverage risk management expertise. • Continued to implement enterprise-wide service quality initiatives that will contribute significantly to superior customer experiences and after-sales service. • Redesigned our talent management and personal performance processes to drive greater clarity, transparency and accountability.

2007 Strategic Priorities
Build a superior Canadian personal banking business to ensure that we meet all of our customers' financial needs.
Further strengthen our commercial banking businesses to become a leading player everywhere we compete.
Grow our wealth management businesses, capturing an increasing share of this high-growth market.
Drive strong returns and disciplined growth in our North American investment banking business.
Improve our U.S. performance and expand our network to become the leading personal and commercial bank in the U.S. Midwest.
Build a high-performing, customer-focused organization supported by a world-class foundation of productive technologies, efficient processes, disciplined performance management, sound risk management and governance.