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Bank of Montreal Reports 11th Consecutive Year of Earnings Growth

TORONTO, November 28, 2000 – Bank of Montreal today reported financial results for the year ended October 31, 2000. The highlights include (on a year-over-year basis):

- **net income of $1,857 million, up $475 million or 34 per cent**
- **return on equity of 18.0 per cent, up from 14.1 per cent in 1999, an increase of 27.7 per cent**
- **earnings per share of $6.56, up $1.84 or 39 per cent**
- **expense-to-revenue ratio of 60.7 per cent, improved from 66.7 per cent**

"Our earnings performance was driven by volume growth in personal banking, commercial and small business banking and wealth management," said Tony Comper, Chairman and Chief Executive Officer. "In addition, our performance benefited by the gains generated from the sale of some non-core businesses and by continuing to maintain good credit quality and expense control.

"Execution of our strategy is producing strong, consistent results. The year just ended was a year of increasing focus on growth and the realignment of activities for future accelerated growth."

The Bank met its financial targets for the year 2000. The improved results mark the 11th consecutive year of earnings growth. Bank of Montreal is the only major North American bank to earn a return on equity of at least 14 per cent in each of those years.

SUMMARY OF FINANCIAL RESULTS

Fiscal 2000 compared with Fiscal 1999

- Net income increased $475 million or 34.4 per cent over 1999. Excluding non-recurring items in both periods, net income rose $195 million or 13.1 per cent.

- Revenues increased $736 million or 9.3 per cent. Excluding non-recurring items, revenues increased $482 million or 6.1 per cent.

- Non-interest expenses decreased $30 million or 0.6 per cent. Excluding non-recurring items, non-interest expenses increased $154 million or 3.0 per cent.

- The provision for credit losses increased $38 million to $358 million. Excluding the reversal of the country risk allowance, the provision for credit losses increased $80 million to $400 million.

Fourth Quarter 2000 compared with Fourth Quarter 1999

- Net income increased $227 million or 87.9 per cent. Excluding non-recurring items, net income rose $59 million or 15.6 per cent.

- Revenues increased $154 million or 7.7 per cent. Excluding non-recurring items, revenues increased $92 million or 4.4 per cent.

- The provision for credit losses decreased $22 million. Excluding reversal of the country risk allowance, the provision increased $20 million.

- Lower taxes from reduced rates in Canadian subsidiaries and U.S. operations increased net income $20 million.

Fourth Quarter 2000 compared with Third Quarter 2000

- Net income increased $84 million or 20.8 per cent. Excluding non-recurring items, net income increased $40 million or 10.0 per cent.

- Revenues increased $67 million or 3.2 per cent. Excluding non-recurring items revenues increased $79 million or 3.8 per cent.

- Non-interest expenses increased $4 million or 0.4 per cent. Excluding non-recurring items, non-interest expenses increased $47 million or 3.7 per cent.

- The provision for credit losses was reduced $42 million. Excluding the reversal of the country risk allowance, the provision was unchanged.

- Lower taxes from reduced rates in Canadian subsidiaries and U.S. operations increased net income $20 million.

"Fiscal 2000 saw the Bank continue to implement its growth strategy," said Mr. Comper. "With the start of the new fiscal year the Bank is moving to accelerate the shift of its business mix to higher-growth, higher-return businesses, aggressively investing where it has proven capability, where the market is growing, emerging or under-served, and where price-to-earnings multiples are attractive."

ANNUAL AND FOURTH QUARTER 2000 REVIEW

Fiscal 2000 vs. Fiscal 1999

Bank of Montreal earned net income of $1,857 million for the year ended October 31, 2000, an increase of $475 million or 34.4 per cent over 1999. Excluding non-recurring items in both periods, net income rose $195 million or 13.1 per cent to $1,672 million.

Return on equity for the year was 18.0 per cent, up from 14.1 per cent in 1999. Excluding non-recurring items, return on equity was 16.1 per cent, compared with 15.1 per cent in the prior year.

Fully diluted earnings per share were $6.56, up 39.0 per cent from $4.72 in 1999. Excluding non-recurring items, fully diluted earnings per share rose $0.81 or 16.0 per cent to $5.88.

On a cash basis, net income for 2000 grew 33.3 per cent to $1,931 million; basic earnings per share grew 37.5 per cent to $6.89; and return on equity increased by 4.0 percentage points to 18.8 per cent.

Excluding non-recurring items (which are itemized on page 14), on a cash basis, net income for 2000 grew 13.1 per cent to $1,746 million; basic earnings per share grew 15.5 per cent to $6.20; and return on equity increased by 1.0 percentage points to 16.9 per cent.

Bank of Montreal achieved its 11th consecutive year of earnings growth and is the only major North American bank to earn a return on equity of at least 14 per cent in each of those years. Improved results for fiscal 2000 were driven by volume growth in retail banking and in wealth management businesses, by gains generated on sales of non-core businesses and by low expense growth. The contribution to net income from normal operations of institutional businesses increased modestly year-over-year. Results for the Bank also reflected lower earnings from the Bank's investment in Grupo Financiero Bancomer and a higher provision for credit losses.

Expenses were contained throughout the year and the Bank achieved its target of $250 million of cost-reduction initiatives. These initiatives are expected to produce $400 million of cost savings in 2001. The Bank disposed of businesses and distribution outlets that were not generating an acceptable rate of return, had low-growth potential and did not fit its strategic requirement of offering a reasonable prospect of achieving top-tier performance. The dispositions resulted in pre-tax gains of $226 million, or $135 million after-tax, which were reinvested in high-potential businesses and strategic initiatives.

In fiscal 2000 the Bank met its financial targets and progressed towards its objective of achieving top-tier performance by 2002.

Targets for 2000 were:

- Increase earnings per share by at least 10 per cent from the 1999 base of $5.14. The Bank increased earnings per share by 27.6 per cent; and

- Increase return on equity by between 1.0 and 1.5 percentage points from the 1999 base of 15.4 per cent. The Bank increased return on equity by 2.6 percentage points.

Excluding non-recurring items in both years, earnings per share rose 16.0 per cent and return on equity rose 1.0 percentage point.

Gross impaired loans and acceptances have risen over the past year from 0.75 per cent to 1.04 per cent of total loans and acceptances. These levels remain within the average experienced over the past decade under a variety of economic conditions. The allowance for credit losses continues to exceed the amount of gross impaired loans and was $96 million higher at the end of 2000, compared with a $256 million excess at the end of 1999 and a $195 million excess in the third quarter of 2000.

The Bank maintained a strong Tier 1 capital ratio, which, at 8.83 per cent, exceeded target levels. Under a share-buyback program, which expired on October 31, 2000, the Bank acquired 7.86 million common shares to reduce capital by $500 million.

OPERATING GROUP HIGHLIGHTS

Personal and Commercial Client Group (excluding Bancomer)

Personal and Commercial Client Group net income increased 33.2 per cent, from $624 million to $831 million, excluding non-recurring items. The increase in net income, excluding non-recurring items, was driven by increasing revenues in Canada and the United States, while limiting expense growth to 0.2 per cent.

Revenues, excluding non-recurring items, increased 9.4 per cent, driven by volume growth in both Canadian and U.S. retail banking.

The Group launched several product innovations and introduced profitable changes in the distribution networks. Working in partnership with Emfisys, the Bank's technology and operations business, Personal and Commercial Client Group continued to innovate with web-enabled and wireless banking initiatives and is generally acknowledged as a North American leader in e-commerce banking initiatives.

Private Client Group

Private Client Group net income increased 48.0 per cent, from $130 million to $192 million, driven by increased revenues, partially offset by increased expenses due to higher revenue-driven compensation and other costs of business expansion.

Higher volumes in wealth management businesses drove revenue growth of 25.7 per cent. However, the Group's revenues from normal operations were 31.7 per cent higher than in the prior year as 1999 included an extra month's results of BMO Nesbitt Burns Inc. This had the effect of increasing 1999 revenues and thus reducing reported revenue growth in 2000 by 6.0 per cent.

During the year, there were a number of enhancements to product offerings and distribution capabilities as the Private Client Group made key additions in its target markets in the United States, with the acquisitions of: two direct investing firms - Chicago-based Burke, Christensen and Lewis Securities and Seattle-based Freeman Welwood; and two private banks - Village Bank of Naples, Florida and Century Bank in Scottsdale, Arizona, an acquisition that is pending.

Investment Banking Group

Investment Banking Group net income declined 5.2 per cent, from $666 million to $632 million. Net income from normal operations rose $13 million or 2.0 per cent, driven by increased revenues in most units, partially offset by lower revenues in interest rate sensitive businesses and by higher expenses due to increased revenue-driven compensation in units that had achieved improved operating results.

The comparability of results between fiscal 2000 and fiscal 1999 was affected by two factors that increased fourth quarter and fiscal 1999 net income by $47 million, relative to fourth quarter and fiscal 2000:

(i) The Bank extended its expected loss provisioning methodology in 2000 to allocate the provision for credit losses to the operating groups. If this methodology had been applied last year, 1999 net income would have been lower by $38 million; and
(ii) Net income for last year included an extra month's results of BMO Nesbitt Burns, which increased 1999 net income by $9 million.

The $13 million increase in Investment Banking Group net income from normal operations was achieved while reducing risk-weighted assets by $11.2 billion or 13.4 per cent year-over-year. Results benefited from strong performance in equity sales and trading and in mergers and acquisitions. The Group also added significant expertise in its target niche industry sectors and maintained top-tier performance in Canadian securitizations, credit investment management and trade finance activities. The combination of a rising interest rate environment and a flattening of the yield curve led to a significant decline in the contributions from interest rate sensitive businesses, particularly international money markets and Harris treasury. In addition, exposure to natural gas price volatility resulted in a trading loss of $52 million pre-tax, or $30 million after-tax, in the third quarter of fiscal 2000.

Bancomer

A notable event during the year was the reduction of the Bank's ownership interest in Bancomer, when its shareholders approved a merger with Grupo Financiero Probursa on June 30, 2000. As a result, and to maximize its return to shareholders, the Bank announced its intention to exit the investment in an orderly fashion and adopted the cost basis of accounting for its ownership interest. Lower reported earnings by Bancomer and the change in accounting method resulted in a $54 million year-over-year decline in net income from the investment.

Q4 2000 COMPARED WITH Q4 1999

The Bank earned net income of $485 million for the fourth quarter ended October 31, 2000, an increase of $227 million or 87.9 per cent over the fourth quarter of 1999. Excluding non-recurring items in both quarters, net income rose $59 million or 15.6 per cent to $430 million.

Return on equity for the quarter was 18.4 per cent, up from 9.8 per cent in the fourth quarter of last year. Excluding non-recurring items, return on equity was 16.2 per cent, compared with 14.7 per cent in the corresponding quarter of last year.

Fully diluted earnings per share were $1.75 for the quarter, up 103.5 per cent from $0.86 in the fourth quarter of 1999. Excluding non-recurring items, fully diluted earnings per share rose $0.27 or 21.3 per cent to $1.54.

The increase in net income, excluding non-recurring items, was driven by lower income taxes, which contributed $20 million to net income, and revenue growth from increased volumes in Canadian and U.S. retail banking. Wealth management also contributed to the increase. The contribution to net income from normal operations of institutional businesses increased year-over-year. A higher provision for credit losses and a lower return from the investment in Bancomer limited the improvement in the Bank's results.

Lower income taxes were due to reduced rates for Canadian subsidiaries and United States operations. Approximately one third of the reductions were due to higher levels of investments in those entities; the remainder was due to changes in amounts of tax liabilities.

Q4 2000 COMPARED WITH Q3 2000

Net income for the fourth quarter of fiscal 2000 was $84 million or 20.8 per cent higher than net income for the third quarter of the year. Excluding non-recurring items in both quarters, net income rose $40 million or 10.0 per cent.

Return on equity for the quarter rose 3.4 percentage points from the third quarter of the year and, excluding non-recurring items, rose 1.7 percentage points.

Fully diluted earnings per share for the quarter rose $0.35 or 25.0 per cent from the third quarter. Excluding non-recurring items, fully diluted earnings per share rose $0.18 or 13.2 per cent.

The increase in net income, excluding non-recurring items, was attributable to improved results in the Investment Banking Group and in the Personal and Commercial Client Group, as well as a $20 million income tax reduction in Corporate Support.

Private Client Group net income declined, while Investment Banking Group net income increased due to improved trading revenues and higher advisory fees. Personal and Commercial Client Group net income grew on continued volume growth. Despite higher revenues in Private Client Group, net income declined because of higher expenses from increased business development activities, business growth and other integration costs, particularly related to the acquisition of new businesses.

GROWTH STRATEGY

In October 2000, Global Finance Magazine rated Bank of Montreal the 'Best Bank' in Canada for 2000, for the Bank's leadership in the delivery of wireless financial services in Canada and the U.S., for its expansion of wealth management operations and for its overall growth through acquisitions and new product introductions.

The Bank has now moved into the next phase of its growth strategy, namely the acceleration of the shift of its business mix to higher-growth, higher-return businesses. Looking forward, the Bank, within its three client Groups, will aggressively invest in high-growth, high-return businesses, and will prioritize the allocation of resources to areas in which it has proven capability, where the market is growing, emerging or under-served, and where price-to-earnings multiples are attractive.

The Bank announced a realignment of its Personal and Commercial Client Group, effective November 1, 2000, and moved most of the Bank's e-business activities into Emfisys, its technology and operations unit. Combining Emfisys' technology expertise and capabilities with e-business research, development, and incubation increases the Bank's capacity in these areas and enhances its enterprise-wide approach to prioritizing technology investments. The alignment maximizes the potential of existing leadership in selected e-businesses and will provide more focus and timeliness to the incubation of new e-businesses.

The Bank will focus on three key markets: business customers (small business and commercial banking); personal customers (wealth management and consumer lending); and e-business. Maintaining a disciplined approach to cost, capital and risk management, the Bank will fund high priority businesses, including wholesale businesses, by accelerating the extraction of capital and other resources from low-potential businesses.

To satisfy customer needs and lifestyle changes, Personal and Commercial Client Group will continue to pursue an integrated approach to branch and electronic banking to help simplify customers' financial lives. The Bank will pursue a technology-driven, strategic approach to the development and marketing of personal banking products and will build on its leadership position in the key commercial business market. Aggressive growth targets have been set for the under-served small business banking market.

Emfisys and E-Business continued to build on the framework initiated in 1999 to support the Bank's focus on creating shareholder value. In the year ahead, this newly integrated unit will continue to increase market competitiveness, efficiency and quality of service by creating new high-growth, high-return businesses, and investing in technology and innovation, and in e-business research and development. The unit will optimize its use of strategic alliances, partnerships, joint ventures, and outsourcing opportunities.

The expansion of an enterprise-wide retail customer information system to all service delivery channels will promote high quality customer service, including the delivery of web-enabled services to more lines of business, for both customer and employee use.

The Bank had previously made significant organizational changes in the Private Client Group and Investment Banking Group.

Private Client Group's growth strategy involves differentiation through a focused advisory-driven approach designed to help clients accumulate, grow and protect assets through their financial life cycles. The group will support the growth of its Canadian business by increasing the number of investment professionals.

The Bank will continue to aggressively grow its U.S. wealth management business in fast-growing, affluent, technology-friendly urban centres and, under The Harris brand, will develop its wealth management business by building on Harris Bank's long-standing expertise in investment management and trust and estate services.

Investment Banking Group will focus on its Canadian leadership position in all business sectors to grow its customer base and will continue to expand coverage of the highly profitable U.S. Midwest mid-market and related specialty sectors, such as agri-business and asset-based lending.

The Group will continue to build client relationships in the media and telecommunications sector and in the energy sector, and will leverage its capabilities-based businesses, including merchant banking, securitization and credit investment management.

TARGETS FOR 2001

This next phase of the growth strategy is designed to move the Bank closer to its objective of top-tier performance. The Bank has its strategic plans in place and has increased its targets for 2001 by planning for growth.

Targets for 2001, excluding the effects of non-recurring items are:

- growth in earnings per share in the range of 10.0 to 15.0 per cent;
- return on shareholders' equity of 17.0 to 17.5 per cent;
- revenue growth of 7.0 to 9.0 per cent;
- an expense-to-revenue ratio consistent with the 2000 ratio;
- a provision for credit losses consistent with the 2000 provision;
- a tax rate (tax equivalent-basis) averaging approximately 37 per cent;
- modest growth in risk-weighted assets;
- maintain a Tier 1 capital ratio of at least 8.0 per cent;
- a cash and securities-to-total assets ratio consistent with the 2000 ratio.

Non-recurring items are generally infrequent, material and quantifiable. Financial ratios will be disclosed on a basis that adjusts for the effects of the transactions. A table detailing non-recurring items and their effects on results for 2000 and 1999 follows the Operating Group Review on page 14.

OPERATING GROUP REVIEW

Personal and Commercial Client Group (excluding Bancomer)

The Personal and Commercial Client Group provides financial services, including electronic financial services, to households and commercial businesses in Canada and the United States. Results exclude the contribution from the Bank's investment in Bancomer.

Fiscal 2000 vs. Fiscal 1999

Net income for 2000 was $966 million, an increase of $324 million or 50.6 per cent from the prior year. Excluding non-recurring items that increased net income by $135 million in 2000 and by $18 million in 1999, net income increased $207 million or 33.2 per cent to $831 million.

Revenues for the year increased $595 million or 14.1 per cent over 1999. Excluding non-recurring items, revenues increased by $396 million or 9.4 per cent, driven by volume growth in Canada and the United States. Net interest margins increased over the second half of the year, reversing the trend of 1999, and were modestly higher year-over-year.

Expense growth for the year was limited to $5 million or 0.2 per cent. The effects of business growth and strategic initiative spending were almost entirely offset by lower costs due to business dispositions and sustained cost control.

The provision for credit losses increased by $57 million year-over-year.

In Canada, residential mortgages, after adjusting for securitizations, increased by $2.3 billion or 6.4 per cent, credit cards and other personal loans increased by $1.1 billion or 6.7 per cent, and loans and acceptances to commercial enterprises, including small business, increased by $1.8 billion or 8.4 per cent from the prior year. In U.S. retail banking, consumer loans grew by 15.0 per cent and total loans increased by 11.9 per cent from a year ago.

Fourth Quarter 2000 vs. Fourth Quarter 1999

Net income for the fourth quarter of fiscal 2000 was $225 million, an increase of $56 million or 32.9 per cent from the comparable period last year. Excluding a $5 million non-recurring after-tax gain on sales of branches in the fourth quarter of the current year, net income increased $51 million or 29.8 per cent.

Revenues for the quarter increased $131 million or 12.3 per cent over the fourth quarter of last year. Excluding non-recurring items, revenues increased $124 million or 11.6 per cent, driven by volume growth across most business lines. Net interest margins also increased.

Expenses for the quarter decreased by $2 million or 0.1 per cent from the fourth quarter of last year as the effects of cost reductions and business dispositions largely offset expenses from business growth and strategic initiative spending.

Fourth Quarter 2000 vs. Third Quarter 2000

Net income for the fourth quarter of 2000 increased $8 million or 3.8 per cent from the third quarter. Excluding non-recurring items, net income increased $14 million or 6.6 per cent. Revenues increased $14 million from the third quarter. Excluding non-recurring items, revenues increased $26 million or 2.1 per cent driven by volume growth. Expenses grew $3 million or 0.5 per cent from the third quarter.

Business Developments

The Bank announced the sale of another 15 branches to credit unions in British Columbia and Manitoba. Six instore branches were opened, bringing the total number of instore branches in operation to 71.

Harris Bank has achieved notable growth in deposits and loans and, under its senior Hispanic leadership, now serves 50,000 Hispanic customers through its 20 bilingual branches in the Chicago area, a bilingual call centre and its Spanish language web-site.

Bank of Montreal and 724 Solutions began a market trial using Veev and 724 Solutions' LiveClips aggregation technology that offers customers secure, personalized, web-based access to accounts across financial institutions and the ability to extract and present summarized content. The Bank also signed an agreement with InBusiness.com to operate regional online customized business centres for small and mid-sized clients.

Private Client Group

The Private Client Group (PCG), which has total assets under management and administration, and term investments of $234 billion and approximately 4,700 employees, brings together all of the Bank of Montreal Group of Companies' wealth management services. Operating under Private Client Group in Canada and The Harris in the United States, PCG provides North American investors with the tools they need to accumulate, grow and protect their financial assets. PCG offers a broad array of products and services including retail investment products, direct and full-service investing, private banking and institutional money management.

Fiscal 2000 vs. Fiscal 1999

Net income for 2000 was $192 million, an increase of $62 million or 48.0 per cent from the prior year.

Revenues for the year increased $320 million or 25.7 per cent to $1,565 million. The extra month's results from BMO Nesbitt Burns increased revenues in 1999 by $56 million and had the effect of reducing reported revenue growth in fiscal 2000 by 6.0 per cent. Normal operating revenues increased $376 million or 31.7 per cent, driven by higher client-trading volumes in both full-service and direct investing businesses. Volumes were particularly high in the first half of the year. Higher term investments volumes also contributed to the increase, while lower trading returns on managed futures limited revenue growth.

Non-interest expenses increased $207 million or 20.7 per cent to $1,211 million. The extra month's results from BMO Nesbitt Burns increased 1999 expenses by $53 million and had the effect of reducing reported expense growth in fiscal 2000 by 6.7 per cent. Normal operating expenses increased $260 million or 27.4 per cent, driven by higher revenue-driven compensation, strategic initiative spending and business growth, including growth from acquired operations in the United States.

Assets under management and administration and term deposits grew by $37 billion or 18.8 per cent to $234 billion, reflecting growth in client businesses and the effects of acquisitions.

Fourth Quarter 2000 vs. Fourth Quarter 1999

Net income for the fourth quarter of fiscal 2000 was $36 million, an increase of $7 million or 26.2 per cent from the comparable period last year.

Revenues for the quarter increased $41 million to $391 million. Normal operating revenues increased $97 million or 33.5 per cent, driven primarily by increased full-service and direct investing client equity trading and growth in term investments and margin loans.

Non-interest expenses increased $28 million to $322 million. Normal operating expenses increased $81 million or 33.9 per cent, due to higher revenue-driven compensation, strategic initiative spending and business growth, including the acquisition of new businesses.

Fourth Quarter 2000 vs. Third Quarter 2000

Net income for the fourth quarter of 2000 declined $9 million or 18.5 per cent from the third quarter. Revenues for the quarter increased $12 million or 3.4 per cent on increased trading volumes in direct and full-service investing and improved returns in the institutional asset management business. Non-interest expenses increased $27 million or 9.2 per cent, primarily due to higher business development, systems and other business integration costs, and to costs of acquired operations in the United States and costs of strategic initiative spending.

Business Developments

PCG's team of investment professionals, located in Bank of Montreal branches, grew to 450 representatives. The team provides advice and services to help clients accumulate, grow and protect their financial assets.

The Group continued the North American expansion of its wealth management business with the pending completion of its acquisition of Scottsdale, Arizona-based, Century Bank. Century Bank's geographic coverage presents an opportunity to deliver a full suite of wealth management products and services to an expanded and highly desirable market.

BMO Nesbitt Burns full-service investing expanded its online offering with the launch of third-party U.S. research on Gateway, the unit's online client information centre.

The Group also enhanced its direct investing capabilities in North America and expanded its wealth management operations in the United States by completing the purchase of Freeman Welwood.

Investment Banking Group

The Investment Banking Group provides a full range of financial products and services to institutional investors and corporate, government and institutional client segments.

Fiscal 2000 vs. Fiscal 1999

Net income for 2000 was $632 million. Net income fell $34 million or 5.2 per cent. In 2000, the Bank extended its expected loss provisioning methodology to allocate the provision for credit losses to the operating groups. If this methodology had been applied last year, reported net income in 1999 would have been $38 million lower. In addition, the inclusion of the extra month's results from BMO Nesbitt Burns increased 1999 net income by $9 million. Together, these factors increased fourth quarter and fiscal 1999 net income by $47 million, relative to 2000. The Group's net income from normal operations rose $13 million or 2.0 per cent from the prior year.

Revenues for the year were $2,368 million, a decrease of $6 million or 0.3 per cent. The extra month's results from BMO Nesbitt Burns in the fourth quarter of 1999 reduced reported revenue growth in fiscal 2000 by $37 million or 1.6 per cent. Revenues from normal operations increased $31 million or 1.3 per cent. Increases in normal operating revenues were attributable to higher advisory fees on mergers and acquisitions, underwriting fees and trading commissions. Equity trading gains and higher gains on securities sales also contributed to the increase. Higher interest rates and a flattening of the yield curve caused a significant reduction in net interest income from interest rate sensitive businesses, primarily international money markets and Harris treasury. Exposure to natural gas price volatility resulted in trading losses on natural gas options of $52 million in the third quarter of fiscal 2000.

Non-interest expenses for the year were $1,169 million, an increase of $20 million or 1.8 per cent. The extra month's results from BMO Nesbitt Burns increased 1999 expenses by $20 million and reduced the reported 2000 growth rate by 1.8 per cent. Normal operating expenses increased $40 million or 3.6 per cent because of higher revenue-driven compensation in units that had improved operating results.

Fourth Quarter 2000 vs. Fourth Quarter 1999

Net Income for the fourth quarter was $161 million. Net income declined by $29 million or 15.9 per cent from the comparable period last year. Normal operating income increased $18 million or 11.7 per cent from the fourth quarter of last year.

Revenues for the quarter were $601 million, a decline of $1 million from the prior year. Normal operating revenues increased $36 million or 6.3 per cent, driven by increased advisory fees, trading income and gains on securities sales, partly offset by lower earnings from interest rate sensitive businesses.

Non-interest expenses decreased $2 million or 0.6 per cent to $288 million. Normal operating expenses increased $18 million or 6.7 per cent because of higher revenue-driven compensation in units with improved operating results.

Fourth Quarter 2000 vs. Third Quarter 2000

Net Income for the fourth quarter increased $18 million or 11.8 per cent from the third quarter. Revenues for the quarter increased $50 million or 9.3 per cent, driven by increased advisory fees. Trading results improved because of a return to more normal performance in the natural gas options portfolio. Non-interest expenses increased by $5 million or 1.5 per cent.

Business Developments

During the quarter, BMO Nesbitt Burns advised Westburne Inc., a distributor of electrical and plumbing supplies, on its sale to Paris-based Rexel S.A. In addition, BMO Nesbitt Burns advised London-based Billiton Plc on its acquisition of Rio Algom, a major Canadian copper mining company. In media and telecom, BMO Nesbitt Burns advised BCE on its $4 billion media joint venture with Thomson Corp.

As part of the continued development of its energy sector strategy, the Group hired a new head for its U.S. Energy – Oil and Gas unit, based in Houston. In the U.S. Midwest, Harris Nesbitt continued to build on its strong position in agri-business by advising Basic Vegetable Products on its sale to ConAgra.

The Bank of Montreal entered into a joint venture agreement with Australia and New Zealand Banking Group, Barclays Plc and American Management Systems to form an independent, global, trade services processing company.

For the overall year, BMO Nesbitt Burns retained its number one position in block trading volume in Canada for the fourth straight year. The securitization unit maintained its position as the largest Canadian issuer of multi-vendor conduit securities and as the number one distributor of asset-backed and mortgage-backed securities in Canada. In the results of the 2000 Brendan Wood Survey of Institutional Money Managers, BMO Nesbitt Burns' Institutional Equity Group was ranked first in market penetration for the sixth year running and had the top-ranked sales coverage and trader coverage. The Brendan Wood Survey also produced a first-place ranking for the Equity Research team for the twentieth consecutive year.

Bancomer

There were no earnings in the fourth quarter from the Bank's investment in Bancomer. This represented a decrease of $17 million from the comparable period last year and a decrease of $3 million from the third quarter this year.

On June 30, 2000, Bancomer shareholders approved its merger with Grupo Financiero Probursa. With this event, as previously announced, the Bank adopted the cost basis of accounting, replacing the equity basis of accounting for the investment. Lower reported earnings by Bancomer and the change in accounting method resulted in a $54 million year-over-year decline in net income from the Bank's investment.

At year-end, the market value of the Bank's investment exceeded its cost base by $181 million, net of a deferred currency translation adjustment of $96 million.

Corporate Support

Corporate Support includes two areas: the corporate units that provide expertise and governance support for the Bank, such as strategic planning, law, finance, economics, real estate, internal audit, risk management, corporate communications, human resources and learning; and Emfisys, the integrated systems and operations business that delivers e-business solutions, technology strategy, systems development, and operational transaction processing services to the Bank.

Fiscal 2000 vs. Fiscal 1999

Net income for 2000 was $11 million, an increase of $177 million from the prior year. Excluding non-recurring items that increased net income by $50 million in 2000 and decreased net income by $113 million in 1999, net income rose by $14 million, year-over-year.

Fourth Quarter 2000 vs. Fourth Quarter 1999

Net income for the fourth quarter of fiscal 2000 was $63 million, an increase of $210 million from the comparable period in 1999. Excluding non-recurring items in both years, net income increased $47 million over the comparable quarter in 1999.

Fourth Quarter 2000 vs. Third Quarter 2000

Net income for the fourth quarter of 2000 increased $70 million from the third quarter. Excluding non-recurring items, net income increased $20 million, driven by lower income tax rates.

Harris Bank

For the Year

On a U.S. dollar/U.S. GAAP basis, Harris Bank earned net income of $268 million for fiscal 2000, an increase of $48 million or 21.8 per cent from a year earlier. Excluding a non-recurring gain on sale of corporate trust businesses and securities gains, earnings increased 13.1 per cent from the prior year. Harris Bank earnings included in the Bank’s consolidated results, on a Canadian dollar/Canadian GAAP basis, were $385 million, an increase of 21.1 per cent from last year. The increase was driven by business growth, sustained cost control and continued low credit losses, partially offset by the effects of higher interest rates.

For the Quarter

On a U.S. dollar/U.S. GAAP basis, Harris Bank earnings for the fourth quarter of fiscal 2000 were $63 million, an increase of $5 million or 8.6 per cent from the same quarter a year earlier. Excluding securities gains, earnings increased 6.0 per cent from the prior year. Harris Bank earnings included in the Bank’s consolidated results, on a Canadian dollar/Canadian GAAP basis, were $94 million, an increase of 13.2 per cent from the same period last year. The increase was driven by business growth, sustained cost control and continued low credit losses, partially offset by the effects of higher interest rates.

Effects of Non-Recurring Items ($Millions)

Reported:	Q4 2000	Q3 2000	Total 2000	Q4 1999	Total 1999
Revenues	2,162	2,095	8,664	2,008	7,928
Expenses	1,330	1,326	5,258	1,501	5,288
Net income	485	401	1,857	258	1,382
Return on equity	18.4	15.0	18.0	9.8	14.1
Earnings per share – fully diluted	1.75	1.40	6.56	0.86	4.72
Expense-to-revenue ratio	61.5	63.2	60.7	74.8	66.7

Non-Recurring Items:	Oper. Group	Q4 2000	Q3 2000	Total 2000	Q4 1999	Total 1999
Increased / (Decreased) Revenues						
Gain on sale of global custody business	P&C					27
Write-down of distressed securities portfolio	Corp.				(55)	(55)
Gain on sale of Partners First	P&C			112		
Gain on sale of U.S. corporate trust businesses	P&C			74		
Gains on sales of branches	P&C	7	19	40		
		7	19	226	(55)	(28)
Decreased / (Increased) Expenses						
Restructuring (charge) reversal	Corp.	43		43	(141)	(141)
Reduced Provision for Credit Losses						
Reversal of country risk allowance	Corp.	42		42		
Increased / (Decreased) Pre-Tax Income		92	19	311	(196)	(169)
Income Taxes		37	8	126	(83)	(74)
Increased / (Decreased) Net Income		55	11	185	(113)	(95)

Excluding Non-Recurring Items:	Q4 2000	Q3 2000	Total 2000	Q4 1999	Total 1999
Revenues	2,155	2,076	8,438	2,063	7,956
Expenses	1,373	1,326	5,301	1,360	5,147
Net income	430	390	1,672	371	1,477
Return on equity	16.2	14.5	16.1	14.7	15.1
Earnings per share – fully diluted	1.54	1.36	5.88	1.27	5.07
Expense-to-revenue ratio	63.8	63.8	62.8	65.9	64.7

FINANCIAL STATEMENT REVIEW

Revenues

Fiscal 2000 vs. Fiscal 1999

Total revenues for the year were $8,664 million, an increase of $736 million or 9.3 per cent from a year ago. Excluding non-recurring revenues of $226 million in 2000 and a net reduction of $28 million in 1999, revenues increased $482 million or 6.1 per cent. Revenues from normal operations increased 8.1 per cent, as the extra month's results from BMO Nesbitt Burns in 1999 and the lower contribution from Bancomer reduced revenue growth in fiscal 2000 by 2.0 per cent.

Net interest income for the year was $4,338 million, a decrease of $79 million from the prior year. Lower earnings from Bancomer, reduced spreads in capital markets businesses and lower spreads on assets held in Corporate Support were responsible for the decline. These declines were partially offset by growth in net interest income from increased volumes in Canadian and U.S. retail banking and in wealth management products. Retail banking margins improved in the latter half of the year and were modestly higher year-over-year.

Other income was $4,326 million for the year, an increase of $815 million from the prior year. Excluding non-recurring revenues, other income increased $561 million or 15.8 per cent. The extra month's results of BMO Nesbitt Burns in the prior year reduced growth in other income in fiscal 2000 by $81 million or 2.7 per cent from 1999. Other income from normal operations increased $642 million or 18.5 per cent. This increase was attributable to higher retail trading volumes, trading revenues, advisory and underwriting fees, gains on investment sales and retail banking volumes, partially offset by the effects of business disposals.

Fourth Quarter 2000 vs. Fourth Quarter 1999

Total revenues for the fourth quarter of 2000 were $2,162 million, an increase of $154 million or 7.7 per cent from the fourth quarter of 1999. Excluding non-recurring items, revenues increased $92 million or 4.4 per cent. The extra month's results of BMO Nesbitt Burns and higher earnings from Bancomer reduced revenue growth in the fourth quarter of 2000 by 5.7 per cent from the fourth quarter of 1999. Revenues from normal operations increased 10.1 per cent.

Net interest income for the fourth quarter was $1,083 million, a decrease of $41 million from the prior year. Strong volume growth in mortgages (5.0 per cent) and personal loans (8.2 per cent) was more than offset by lower earnings from Bancomer and by the effects of reduced spreads on capital markets businesses and on assets held in Corporate Support.

Other income was $1,079 million for the fourth quarter, an increase of $195 million from the fourth quarter of the prior year. Excluding revenues from non-recurring items, other income increased $133 million or 14.1 per cent. The extra month's results from BMO Nesbitt Burns reduced growth in other income for the fourth quarter of 2000 by $81 million or 10.8 per cent. Other income from normal operations increased $214 million or 24.9 per cent. This increase was due to higher trading revenues, gains on sales of securities, advisory fees, retail trading commissions and retail banking volumes, partially offset by the effects of business disposals.

Fourth Quarter 2000 vs. Third Quarter 2000

Revenues for the fourth quarter increased $67 million or 3.2 per cent from the third quarter of 2000. Excluding revenues from non-recurring items, revenues increased $79 million or 3.8 per cent. Net interest income decreased $7 million or 0.7 per cent and other income increased $74 million or 7.4 per cent.

Excluding revenues from non-recurring items, other income increased by $86 million or 8.7 per cent, driven by higher trading revenues and underwriting fees, partially offset by lower gains on sales of securities.

Non-Interest Expenses

Fiscal 2000 vs. Fiscal 1999

Non-interest expenses for the year were $5,258 million, a decrease of $30 million or 0.6 per cent from the prior year. Excluding non-recurring items, expenses rose $154 million or 3.0 per cent. The extra month's results from BMO Nesbitt Burns increased 1999 expenses by $72 million and reduced reported expense growth by 1.5 per cent. Expenses from normal operations increased by $226 million or 4.5 per cent. Increased revenue-driven compensation of $227 million accounted for the increase. Cost reduction initiatives and the effects of business disposals offset costs related to volume growth and strategic initiative spending.

The expense-to-revenue ratio was 60.7 per cent for 2000, an improvement from 66.7 per cent in 1999. Excluding non-recurring items, the expense to revenue ratio was 62.8 per cent, an improvement from 64.7 per cent in the prior year.

In the fourth quarter of 2000, the Bank reversed $43 million of a provision for restructuring costs. The provision had been established in the fourth quarter of 1999 to provide for costs associated with ceasing activities that were not contributing to the Bank's goal of creating shareholder value. The full provision was not required as branches were sold rather than closed, and because there was a higher rate of staff attrition and redeployment than anticipated. Both the provision and its reversal have been categorized as non-recurring items.

Fourth Quarter 2000 vs. Fourth Quarter 1999

Non-interest expenses for the fourth quarter were $1,330 million, a decrease of $171 million from the fourth quarter of 1999. Excluding non-recurring items, expenses increased $13 million or 1.0 per cent. The extra month's results of BMO Nesbitt Burns increased expenses in 1999 by $72 million and reduced reported growth by 5.6 per cent. Expenses of normal operations rose $85 million or 6.6 per cent. The increase was due to volume growth and strategic initiative spending, partially offset by cost reduction initiatives and the effects of business disposals. Revenue-driven compensation declined by $2 million.

Fourth Quarter 2000 vs. Third Quarter 2000

Non-interest expenses for the fourth quarter increased $4 million or 0.4 per cent from the third quarter of fiscal 2000. Excluding non-recurring items, expenses increased $47 million or 3.7 per cent. The increase was due to higher initiative spending, and to integration and infrastructure support costs in growth areas, partially offset by the effects of cost reduction initiatives. Revenue-driven compensation declined by $8 million.

ASSET QUALITY

The provision for credit losses was $358 million for 2000. The provision was reduced by the reversal of the remaining $42 million of country risk allowance. The remaining securities, for which the Bank was required to maintain country risk allowances, were sold in the fourth quarter for $42 million more than anticipated when the allowance was established. Excluding this non-recurring item, the provision was $400 million, compared with $320 million in 1999. The provision included a $110 million addition to the general allowance for credit losses, compared with an addition of $85 million in the prior year. The general allowance for credit losses totalled $1,080 million at the end of 2000. The general allowance is intended to provide for credit losses in on and off-balance sheet exposures for which provisions cannot yet be made on a loan-by-loan basis.

The provision for credit losses was $58 million for the fourth quarter but was $100 million after adjusting for the reversal of the country risk allowance. This compared with an $80 million provision in the fourth quarter of 1999 and a $100 million provision in the third quarter of 2000. Allowances for credit losses are established based on a methodology used for a number of years that considers the level of expected loss in the loan portfolio, management's view of the economic cycle, the level of impaired loans and the balance of the general allowance for credit losses.

Gross impaired loans at year-end were $1,501 million, up from $1,092 million a year ago and from $1,334 million in the third quarter of 2000. The bulk of the increase related to Canadian and U.S. loans in a broad range of industry sectors and client segments of the commercial and corporate loan portfolios. Gross impaired loans and acceptances have risen over the past year from 0.75 per cent to 1.04 per cent of total loans and acceptances. These levels remain within the average experienced over the past decade under a variety of economic conditions. The allowance for credit losses continues to exceed the gross amount of impaired loans and was $96 million higher at the end of 2000, compared with a $256 million excess at the end of 1999 and a $195 million excess in the third quarter of 2000.

CAPITAL MANAGEMENT

At October 31, 2000, the Bank's Tier 1 Capital ratio was 8.83 per cent, up from 8.49 per cent in the third quarter and up from 7.72 per cent at October 31, 1999. The Bank's Total Capital ratio was 11.97 per cent, up from 11.78 per cent in the third quarter and up from 10.77 per cent a year ago. Risk-weighted assets were $134.4 billion, up from $132.0 billion in the third quarter but down from $137.0 billion a year ago.

In the third quarter of 2000, the Bank announced a program to purchase up to 10 million common shares, or approximately 3.7 per cent of the then-issued and outstanding common shares of the Bank. The normal-course issuer bid expired on October 31, 2000. The Bank purchased 1.76 million shares in the fourth quarter at a cost of $115 million and, under the total program, acquired 7.86 million shares at a cost of $500 million, an amount that met the Bank's capital planning needs.

LIQUIDITY

Liquid assets, comprising cash, securities and deposits with Banks, decreased by $2.3 billion from October 31, 1999 to $65.0 billion. These balances represented 27.8 per cent of total assets at October 31, 2000, compared with 29.2 per cent at the end of the prior year. To maintain strong liquidity, the Bank continues to ensure that it has well diversified funding sources, with deposits broadly diversified by customer, type, currency and geography. The Bank's large base of deposits by individuals provides a strong and secure source of funding in both the Canadian and U.S. dollar markets. These deposits, along with the Bank's strong capital base, reduce the reliance on other more volatile sources of funds.

CREDIT RATING

The Bank's credit rating, as measured by a composite of Moody's and Standard & Poor's senior debt ratings, remained unchanged at AA-.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time we make written and verbal forward-looking statements. These may be included in this quarterly report, in filings with Canadian regulators or the U.S. Securities and Exchange Commission, in reports to shareholders and in other communications. These forward-looking statements include but are not limited to comments with respect to our objectives and strategies, financial condition, the results of our operations and our businesses, our outlook for the Canadian and U.S. economies and our risk management discussion.

However, by their nature these forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific and the risk that predictions and other forward-looking statements will not be achieved. We caution readers of this report not to place undue reliance on these forward-looking statements as a number of important factors could cause actual future results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

Forward-looking statements may be influenced by the following factors: fluctuations in interest rates and currency values; regulatory developments; statutory changes; the effects of competition in the geographic and business areas in which we operate, including continued pricing pressure on loan and deposit products; and changes in political and economic conditions including, among other things, inflation and technological changes. We caution that the foregoing list of important factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider the foregoing factors as well as other uncertainties and events.

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Notes:
A live **Internet broadcast** of the fiscal 2000 and fourth quarter investor community conference call will take place on November 28, 2000 at 2:00 p.m. and is available to investors, analysts and the media at www.bmo.com/investorrelations. The web site will contain the press release, the presentations and other related documents.

As in prior quarters, retail investors and the media can also access the conference call, in listen-only mode, by dialing toll free 1-877-871-4065 from outside Toronto and 416-641-6449 for Toronto area callers.

The investor community conference call will be available in rebroadcast mode until December 1, 2000 by calling 1-800-558-5253 and entering the passcode 16802363. In addition, the webcast will be accessible for the next three months through the investor relations section of the Bank's web site.