

# Management's Discussion and Analysis

BMO's President and Chief Executive Officer and Chief Financial Officer have signed a statement outlining management's responsibility for financial information in this Annual Report. The statement, which can be found on page 91, also explains the roles of the Audit Committee and Board of Directors in respect of financial information in the Annual Report.

Management's Discussion and Analysis (MD&A) comments on BMO's operations and financial condition for the years ended October 31, 2005 and 2004. The commentary is as of November 29, 2005, except for peer group comparisons, which are as of December 8, 2005. Unless otherwise indicated, all amounts are in Canadian dollars and have been derived from financial statements prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Certain prior year data has been reclassified to conform with the current year's presentation, including reclassifications arising from transfers of certain businesses between operating groups. In addition, Note 20 on page 119 of the financial statements details the impact on previously reported amounts arising from a change in accounting policy that was adopted on a retroactive basis.

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<b>Financial Performance and Condition at a Glance</b> provides a snapshot of our results on 11 key financial performance and condition measures used by management to monitor performance relative to our peer groups.
<b>Who We Are</b> provides an overview of BMO Financial Group, outlines our 2005 and 2006 targets and explains the links between our annual targets and our overall vision.
<b>Enterprise-Wide Strategy</b> outlines our enterprise strategy and our progress in relation to our 2005 strategic priorities.
<b>Caution Regarding Forward-Looking Statements</b> warns readers about the limitations and inherent risks and uncertainties of forward-looking information.
<b>Factors That May Affect Future Results</b> outlines certain industry and company-specific factors that investors should ensure they consider when assessing BMO's earnings prospects.
<b>Economic Developments</b> includes commentary on the impact of economic developments on our businesses in 2005 and expectations for the economy in 2006.
<b>Value Measures</b> reviews financial performance on the four key measures that assess or most directly influence shareholder return.
<b>2005 Financial Performance Review</b> provides a detailed review of BMO's consolidated financial performance by major income statement category. It also includes explanations of the use of non-GAAP measures and the impacts of changes in foreign exchange rates and acquired businesses.
<b>Operating Group Review</b> outlines the visions and strategies of our operating groups and the major business risks they face, along with the strengths and competencies that help them execute their strategies in support of their visions. It also includes a summary of their achievements in 2005, their priorities for 2006 and a review of their financial performance for the year.
<b>Financial Condition Review</b> discusses our assets and liabilities by major balance sheet category. It reviews our capital adequacy and our approach to ensuring we optimize our capital position to support our business strategies and maximize returns to shareholders. It also discusses off-balance sheet arrangements and financial instruments.
<b>Accounting Matters and Disclosure Controls</b> reviews critical accounting estimates and changes in accounting policies in 2005 and for future periods. It also discusses our evaluation of disclosure controls and procedures and internal controls over financial reporting.
<b>Enterprise-Wide Risk Management</b> outlines our approach to managing the key financial and related risks we face.
These reviews comment on results for periods of relevance other than fiscal 2005.
<b>Supplemental Information</b> presents many useful financial tables and provides more historical detail.

## Regulatory Filings

Our continuous disclosure materials, including our interim filings, annual MD&A and audited consolidated financial statements, our Annual Information Form and the Notice of Annual Meeting of Shareholders and Proxy Circular are available on our web site at [www.bmo.com](http://www.bmo.com), on the Canadian Securities Administrators' web site at [www.sedar.com](http://www.sedar.com) and on the EDGAR section of the SEC's web site at [www.sec.gov](http://www.sec.gov). BMO's CEO and CFO each certify the appropriateness and fairness of BMO's annual and interim financial statements and MD&A and Annual Information Form, and have reported on the effectiveness of BMO's disclosure controls and procedures.