

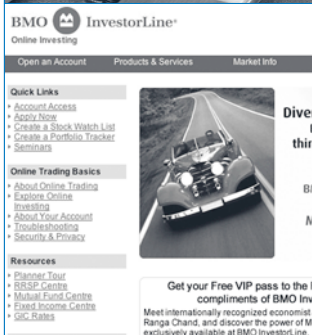
Private Client Group



Gilles G. Ouellette
 President and Chief Executive Officer, Private Client Group, BMO Financial Group and Deputy Chair, BMO Nesbitt Burns

Group Description

Private Client Group (PCG) brings together all of BMO Financial Group's wealth management businesses. Operating under the BMO brand in Canada and Harris in the United States, PCG serves a full range of North American client segments, from main-stream to ultra-high net worth, as well as select institutional market segments. We offer our clients a broad range of wealth management products and services, including full-service and direct investing, private banking and investment products.



Vision

To be a leader in providing wealth management solutions in select North American markets, helping our clients to accumulate, protect and grow their assets.

Strategies

- Build deep and lasting client relationships by delivering exceptional client service and award-winning offerings.
- Leverage our leadership positions to accelerate growth in existing Canadian and U.S. markets.
- Introduce wealth management offerings in select new markets where we have a competitive advantage.
- Continue to improve the profitability of our businesses.

Our Lines of Business

Full-Service Investing offers a comprehensive range of investment and wealth advisory services through BMO Nesbitt Burns. We are focused on delivering highest-quality services and customized advice to our clients.

North American Direct Investing operates as BMO InvestorLine in Canada and, until its sale in October 2005, operated as *Harrisdirect* in the United States. We provide a self-guided investment experience for the knowledgeable self-directed investor. Our innovative solutions help our clients through a disciplined approach to investing.

North American Private Banking operates as BMO Harris Private Banking in Canada and Harris Private Bank™¹ in the United States. We offer integrated trust, investment

management, banking and financial planning services to high and ultra-high net worth clients. Using a client-centred advisory approach, we deliver solutions through a complete range of financial products and services.

Investment Products includes BMO Mutual Funds, Guardian Group of Funds, Harris Insight Funds® and BMO Term Investments. We assist retail and commercial clients with investment and retirement planning by providing well-diversified investment products and solutions through multiple distribution channels. Investment Products also provides institutional money management services to external and internal clients through Jones Heward Investment Counsel and Harris Investment Management.

Strengths

- Award-winning product offerings and industry-recognized leadership in client service.
- Strategic foothold in selected high-growth wealth markets in the United States with physical presence in U.S. markets covering more than 20% of households that have more than one million dollars in investable assets.
- Access to BMO's broad client base in Canada and the United States.
- Prestige, recognition and trust of the BMO, BMO Nesbitt Burns and Guardian brands in Canada and the Harris brand in the United States.

Challenges

- Sustaining revenue growth in changing economic and political landscapes that affect market conditions and investor confidence levels.
- Accelerating organic growth and improving profitability in the United States.
- Driving further enhancements in our operational efficiencies in both Canada and the United States.

Key Performance Drivers	2005	2004	2003
Increase in assets under management (%) (1)	10.9	9.8	11.7
Increase in assets under management and administration and term deposits (%) (1) (2)	8.6	4.1	14.7
Revenue per full-time employee (\$ thousands) (3)	417	380	333
Direct brokerage average daily trades	21,564	21,518	18,367

(1) Excludes the impact of changes in the Canadian/U.S. dollar exchange rate.
 (2) Excludes the 2004 exit of sub-custodial assets having minimal revenue and the 2005 impact of the sale of *Harrisdirect*.
 (3) Excluding \$74 million of gains on asset sales in 2005.

2005 Group Objectives and Achievements

Continue to enhance client offerings and deepen client relationships.

- BMO Nesbitt Burns introduced the Architect Program, a unified managed account program that creates customized portfolios for clients, combining separately managed accounts, mutual funds, exchange-traded funds and alternative investment products into a single account. This program is the first of its kind in Canada.
- Award-winning leadership in client services:
 - BMO InvestorLine was *The Globe and Mail's* choice as best online broker for the fourth consecutive year.
 - BMO Harris Private Banking was selected Best Private Bank in Canada in *Euromoney Magazine's* 2005 Global Survey of private banking services for the second consecutive year.
 - Harris Private Bank was ranked among the top 10 private banks in the U.S. market in *Euromoney Magazine's* 2005 Global Survey.

Optimize our business model through specific revenue-generating initiatives and ongoing expense management.

- Focused management of non-revenue-based costs resulted in low expense growth of 1% in contrast to strong revenue growth of 10% (6% excluding asset sales).
- Refined product offerings and streamlined operations, which contributed to net income growth of 41% (26% excluding asset sales).

Other Achievements

- The BMO Dividend Fund was named the 2004 Canadian Dividend Fund of the year at the 2005 Canadian Investment Awards.
- Fullgoal Fund Management Company Ltd. was granted a licence to manage corporate pension plan assets in China. Fullgoal is one of only 29 mutual fund companies and one of only three foreign financial institution joint ventures currently licensed to manage such plans.

Everyday Priorities for 2006

- Deepen client relationships and enhance our product offerings.
- Drive revenue growth by expanding our sales force in key businesses and continuing to improve sales force productivity.
- Accelerate U.S. growth by increasing our share of our existing clients' investable assets and by leveraging BMO's U.S. expansion strategy.
- Continue to improve our cash productivity ratio through revenue growth and expense management initiatives.

- Sold *HarrisDirect*, allowing BMO to redeploy capital to higher-return businesses.
- BMO Mutual Funds and Guardian Group of Funds outperformed the mutual fund industry with annual net sales exceeding the industry average.
- BMO Term Investments introduced the BMO Dividend Fund Linked GIC, the first GIC of its kind offered by a major Canadian bank.
- BMO Harris Private Banking introduced the enCircle program that offers a range of solutions to mature clients, from bill payments and investment management to estate planning and home health-care education.

Continue to focus on the effectiveness of our sales force.

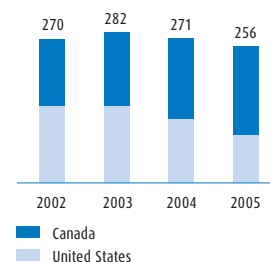
- In Canada, maintained momentum of referral activity within PCG and between PCG and our retail partner, Personal and Commercial Client Group (P&C). Referral activity with P&C increased by nearly one-third over last year.
- In the United States, introduced a successful new referral program that exceeded management's expectations.

Improve our cash productivity ratio by at least 150 bps.

- Cash productivity ratio improved by 580 basis points, bringing the three-year improvement in the cash productivity ratio to 1,570 basis points.

- BMO Nesbitt Burns established two new partnerships with professional service providers to offer complex estate planning and tax advisory services.
- Guardian Group of Funds has nearly tripled its assets and BMO Mutual Funds has increased its assets by over 54% from 2001, while total industry assets grew 30% over the same period.

Assets under Management and Administration including Term Deposits (\$ billions)



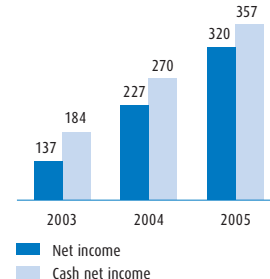
Assets declined, but increased excluding the effects of the weaker U.S. dollar and the sale of *HarrisDirect*.

Productivity Ratio and Cash Productivity Ratio (%)



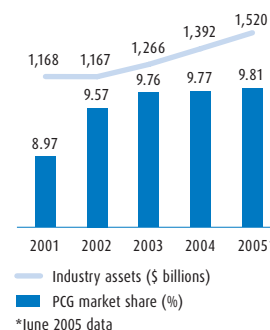
Productivity improved sharply in 2005 and 2004.

Net Income and Cash Net Income (\$ millions)



Net income again reached record levels in 2005.

Canadian Wealth Management Market Share (where available)



Our share of an expanding wealth management market continues to increase.

Business Environment and Outlook

Overall, the investment climate in 2005 was favourable, characterized by steady improvement in equity markets over the prior year driven in part by higher oil prices. As a result, client trading activity increased moderately from 2004. The favourable environment also translated into strong growth in managed assets, which increased fee-based revenue for the year. A slight improvement in the interest rate environment produced a moderate increase in the net interest margin on term investments.

The impact of natural disasters and higher energy prices slowed U.S. economic growth in 2005. In 2006, we anticipate healthy GDP growth in Canada and the United States. The Federal Reserve raised interest rates throughout 2005 and the Bank of Canada began raising interest rates later in the year; both are expected to continue raising rates early in 2006. Equity markets are expected to remain solid, which should translate into continued growth in managed asset balances. Long-term trends remain favourable for wealth management services and should result in continued growth.

Private Client Group Financial Results

Private Client Group net income reached a record \$320 million, an increase of \$93 million or 41% over 2004. Higher earnings were achieved primarily through strong growth in operating revenues along with the effects of ongoing expense management initiatives. Results also benefited from the gain on sale of *Harrisdirect*, the group's U.S. direct investing operation, of \$49 million (\$18 million after tax) and the gain on sale of TSX common shares of \$25 million (\$16 million after tax). Adjusting for the impact of the foregoing items, net income would have increased \$59 million or 26% from the then-record results of 2004.

Revenue grew \$185 million or 10% to \$2,036 million. Successful revenue-generating initiatives and favourable market conditions drove higher non-interest revenue in full-service investing and the mutual fund businesses. Net interest income increased due in part to improved net interest margin on term investment products, compensating for relatively flat demand. Revenue included \$74 million of gains on asset sales, but the weaker U.S. dollar reduced revenue growth by \$47 million, particularly in our direct investing and private banking businesses.

Non-interest expense increased \$16 million or 1% to \$1,520 million. The marginal increase in expenses contrasted favourably with the 11% growth in non-interest revenue (5% growth excluding the gain on asset sales). Expenses in the prior year included \$20 million of severance and other business optimization costs. The group's productivity ratio improved 670 basis points from a year ago, but improved 380 basis points excluding the gain on asset sales. The weaker U.S. dollar reduced expenses by \$39 million or 2.6%.

Private Client Group (\$ millions, except as noted)

Reported	As at or for the year ended October 31	2005	2004	2003	Change from 2004	
					\$	%
Net interest income (teb)		577	533	559	44	9
Non-interest revenue		1,459	1,318	1,175	141	11
Total revenue (teb)		2,036	1,851	1,734	185	10
Provision for credit losses		4	5	6	(1)	(14)
Non-interest expense		1,520	1,504	1,510	16	1
Income before income taxes		512	342	218	170	50
Income taxes (teb)		192	115	81	77	68
Net income		320	227	137	93	41
Amortization of intangible assets (after tax)		37	43	47	(6)	(13)
Cash net income		357	270	184	87	32
Net economic profit		188	104	4	84	81
Return on equity (%)		20.0	14.4	7.9		5.6
Cash return on equity (%)		22.4	17.2	10.7		5.2
Non-interest expense-to-revenue ratio (%)		74.6	81.3	87.1		(6.7)
Cash non-interest expense-to-revenue ratio (%)		72.1	77.9	82.7		(5.8)
Average net interest margin (%)		8.19	7.46	7.97		0.73
Average common equity		1,582	1,557	1,689	25	2
Average assets		7,061	7,145	7,015	(84)	(1)
Risk-weighted assets		4,326	5,518	5,691	(1,192)	(22)
Average loans and acceptances		4,907	4,682	4,428	225	5
Average deposits		42,666	43,003	42,429	(337)	(1)
Assets under administration		134,093	156,650	170,255	(22,557)	(14)
Assets under management		87,382	79,939	75,900	7,443	9
Full-time equivalent staff		4,645	4,757	4,968	(112)	(2)

U.S. Business Select Financial Data (US\$ millions)	For the year ended October 31	2005	2004	2003	Change from 2004	
					\$	%
Total revenue		448	425	399	23	5
Non-interest expense		417	443	443	(26)	(6)
Net income		10	(11)	(30)	21	+100
Cash net income		39	20	1	19	95
Average assets		2,754	2,796	2,612	(42)	(2)

All amounts in the paragraphs that follow are stated in U.S. dollars.

Net income from U.S. operations was \$10 million, an improvement of \$21 million from 2004, including the \$15 million after-tax gain on the sale of *Harrisdirect*. Revenue of \$448 million increased \$23 million, but declined by \$18 million excluding the \$41 million gain on sale of *Harrisdirect*, as lower commission rates in direct investing more than offset fee-based revenue growth in the group's other U.S. businesses. Non-interest expense decreased \$26 million due to lower revenue-based costs and the benefit of ongoing expense management initiatives. The prior year included \$10 million of severance and other business optimization costs.

On October 6, 2005, BMO announced the completion of the sale of its U.S. direct investing operation, *Harrisdirect*, to E*TRADE Financial Corporation. *Harrisdirect*'s contribution to PCG's 2005 results included: \$209 million of revenue, \$200 million of non-interest expense, \$4 million of net loss and \$23 million of cash net income in fiscal 2005. The foregoing amounts include the \$41 million gain and associated \$15 million after-tax gain on sale. Included in the gain was a \$25 million cost for the estimated reimbursement by *Harrisdirect* of mutual fund program fees related to our Harris Insight Funds.