

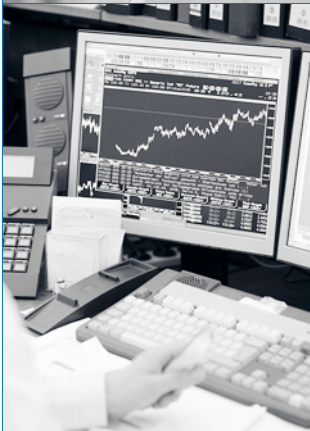
Corporate Support, including Technology and Solutions

MD&A



Lloyd F. Darlington
President and Chief Executive Officer, Technology and Solutions

Group Description
Technology and Solutions manages, maintains and provides governance over information technology, operations services, real estate and sourcing for BMO Financial Group. We focus on enterprise-wide priorities that improve service quality and efficiency to deliver an excellent customer experience.



Technology and Solutions

Vision

To be a critical contributor in propelling BMO to be the top-performing financial services organization in North America.

2005 Group Objectives and Achievements

Continue to realize improvements in service quality and efficiency in alignment with BMO's strategy.

- Created a single Product Operations organization by unifying groups from across the enterprise to support all of BMO's customer-facing lines of business. Product Operations focuses on providing excellent customer service, and has deployed a quality program to improve service and productivity.
- Supported Harris Bank in consolidating more than 80 different processing systems across 26 bank charters to form one charter, Harris N.A. The result is a more powerful technology infrastructure that streamlines interactions between branches and employees, and provides customers with improved access to service and greater flexibility in product choices.
- Became the first Canadian organization to be assessed at Level 3 of the Software Engineering Institute's CMMI software engineering model. This is a testament to our commitment to deliver the highest-quality business solutions in the most efficient and cost-effective manner.
- Became the first organization in Canada to be awarded BS7799 certification by the British Standards Institution for meeting the highest international standard for operating an information security management system. This accolade recognizes best practices for personnel security, physical and environmental security, communications and operations management, business continuity and compliance.
- Judged "best-in-class" for procurement practices relative to our Canadian financial services peers in an Assessment of Excellence in Procurement benchmarking study conducted by an independent agency.
- Aggressively reduced BMO's premises costs by reducing our use of office space by more than 300,000 square feet, in part through the sale and leaseback of BMO's holdings in Chicago and Calgary.
- Entered into an agreement with Bell Canada to implement an Internet Protocol Communications network to service our 1,100 branches across Canada. This will enhance our customers' experience and deliver improved network reliability, scalability and cost efficiencies.
- Construction of the Barrie Computer Centre on track for occupancy in the summer of 2006. The centre will provide BMO with a highly efficient processing infrastructure that will enhance our contingency capabilities and existing data centre facilities to support BMO customers worldwide.
- Maintained high levels of service availability and kept operating expenses at 2004 levels despite significant growth in transaction volumes.

Everyday Priorities for 2006

- Build on our successes by delivering key technology and sourcing initiatives and processing and real estate efficiencies, and by continuing to realize improvements in service quality and efficiency in alignment with BMO's strategy.

Corporate Support

Group Description

Corporate Support includes the corporate units that provide expertise and governance support to BMO Financial Group in areas such as strategic planning, law, finance, internal audit, risk management, corporate communications, economics, human resources and learning. Our operating results include revenues and expenses associated with certain securitization activities, the hedging of foreign-source earnings, and activities related to the management of certain balance sheet positions and BMO's overall asset-liability structure.

Operating results for Technology and Solutions (T&S) are included with Corporate Support for reporting purposes. However, costs of T&S services are transferred to the three client operating groups, and only minor amounts are retained in T&S results. As such, results in this section largely reflect Corporate Support activities.

Financial Results

Corporate Support net income for the year was \$29 million, compared with \$265 million in 2004. The decline was driven by a significantly higher provision for credit losses, as well as reductions in net gains on investment securities and foreign exchange translation. Results in 2005 included a gain of \$29 million (\$19 million after tax) on the sale of First Canadian Centre in Calgary.

BMO's practice is to charge loss provisions to the client operating groups each year, using an expected loss provisioning methodology based on each group's share of expected credit losses over an economic cycle. Corporate Support is generally charged (or credited) with differences between expected loss provisions charged to the client operating groups and provisions

required under GAAP. However, in 2004 IBG was credited with a \$39 million recovery on a loan because the loss on the loan in 2001 was not subject to our expected loss provisioning methodology at the time.

Corporate Support, including Technology and Solutions

(\$ millions, except as noted)

Reported	As at or for the year ended October 31	2005	2004	2003	Change from 2004	
					\$	%
Net interest income (teb)		(197)	(208)	(204)	11	5
Non-interest revenue		162	200	252	(38)	(20)
Total revenue (teb)		(35)	(8)	48	(27)	(+100)
Provision for credit losses		(222)	(545)	(80)	323	59
Non-interest expense		188	171	162	17	10
Income before income taxes and non-controlling interest in subsidiaries		(1)	366	(34)	(367)	(+100)
Income taxes (teb)		(88)	85	(91)	(173)	(+100)
Non-controlling interest		58	16	18	42	+100
Net income		29	265	39	(236)	(89)

Full-time equivalent staff **8,343** 8,577 8,953 **(234)** **(3)**

U.S. Business Select Financial Data	For the year ended October 31	2005	2004	2003	Change from 2004	
					\$	%
Total revenue		(73)	(49)	80	(24)	(49)
Provision for (recovery of) credit losses		(74)	(99)	(8)	25	25
Non-interest expense		50	46	58	4	9
Net income		(12)	(3)	27	(9)	(+100)
Average assets		4,800	5,458	5,856	(658)	(12)

Financial Condition Review

Summary Balance Sheet (\$ millions)

As at October 31	2005	2004	2003	2002	2001
Assets					
Cash resources	20,721	18,045	19,860	19,305	17,656
Securities	57,256	50,472	54,790	43,715	37,676
Net loans and acceptances	174,337	156,248	146,156	149,596	144,765
Other assets	45,218	40,429	35,688	40,248	39,312
	297,532	265,194	256,494	252,864	239,409
Liabilities and Shareholders' Equity					
Deposits	193,793	175,190	171,551	161,838	154,290
Other liabilities	85,804	73,270	68,455	74,188	68,613
Subordinated debt	2,469	2,395	2,856	3,794	4,674
Preferred share liability	450	450	850	850	850
Capital trust securities	1,150	1,150	1,150	1,150	1,150
Shareholders' equity	13,866	12,739	11,632	11,044	9,842
	297,532	265,194	256,494	252,864	239,409

Total assets increased \$32.3 billion or 12% from last year to \$297.5 billion at October 31, 2005. There was a \$6.8 billion increase in securities, an \$18.1 billion increase in net loans and acceptances, a \$4.8 billion increase in other assets and a \$2.7 billion increase in cash resources.

Total liabilities and shareholders' equity increased \$32.3 billion or 12%. There was an \$18.6 billion increase in deposits, a \$12.5 billion increase in other liabilities and a \$1.1 billion increase in shareholders' equity.